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EDITORIALS

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The Great Educationist

SIR ASUTOSH—that is how he was known in Bengal in his time and is remembered even today—was a great educationist, who devoted his life and energies to raise the Calcutta University, from what it was when he took it up, to the ideal of what a University should be, as he conceived it. And since the British Government of the day had also very definite ideas about what they wanted it to be—the shades of Macaulay's Minutes still lay heavy on the intellectual scene of those times—he fought valiantly and all the time with the Government to free the University from its stranglehold and to establish the principle of academic independence. He fought against heavy odds. The University Acts were made by the Government and it is the Government which made the grants.

When Asutosh Mookerjee came on the scene, Lord Curzon had clamped on the Indian universities the Act of 1904 which, Indian opinion then thought, had put them in a strait-jacket. Asutosh had just that year been elevated to the Bench—the Knighthood came later. But while only a Senator, he had already prepared himself for his life's vocation by studying all its minutes since Calcutta University came into being way back in 1857 and directed his trained and powerful mind to the statutes which circumscribed the powers and functions of the Senate and the Syndicate. He jumped into the fight and came out triumphant. That was only the beginning of his Vice-Chancellorship of the Calcutta University. Many years later, towards the end of his life, he served another term as Vice-Chancellor. But whether he held any office or not, so long as Sir Asutosh was alive, he was the Calcutta University.

Towards the end of his long and glorious service to the University, Sir Asutosh came into headlong collision with Lord Lytton, the then Governor of Bengal and came out triumphant again, but this time as a national figure. The reason for the fight was that the Government, unable to curb or control the University by other means, fell back upon its power over the purse and Lytton tried to use the annual grants to the University as a lever to force Sir Asutosh to comply. There were hot exchanges of letters between him and Lytton—and Sir Asutosh turned down with contumely the offer of aid tied up with advice, non-compliance with which would mean no aid.

That is the politics of it. A distinguished mathematician and jurist, profoundly learned in Sanskrit and Pali, for which he had been given the titles Saraswati—the moustached Saraswati was the appellation lovingly conferred by his countrymen—and Sambuddhagama Chakravarti, Sir Asutosh had always looked upon the University as the door to the liberation of the mind from its many bondages. And of the latter, the one that impinged most at the time was the intellectual domination of Western culture in general and that of the English language in particular. He established the Indian languages as a fit subject of study at the post-graduate level so that one could achieve the highest academic distinction and gain the highest degrees by the study of one or more of them. It was an unheard of [illegible] and an unbelievable act of bravado to institute M A and Ph D degrees in Bengali, Hindi, Oriya or other Indian languages. The University [illegible] courses in many of them. How bold was the step at the time [illegible]

Relative Rates of Growth

A Comment

A V Ramsunder

IN his article "Relative Rates of Growth: Agriculture and Industry", (*The Economic Weekly*. November 7, 1964) A Rudra leaves out of consideration the Services sector which consists of trade and commerce and other professions and services. This could be incorporated into the model as output sector X_4 with the following equation:

$$X_{4t} - a_{41} X_{1t} - a_{42} X_{2t} - a_{43} X_{3t} = H_{4t} + G_{4t} + O_{4t}$$

where the notations are as in the article referred to above.

The growth of output of this sector can be considered in three parts:

(a) the part going as industrial input;

(b) that going for domestic consumption; and,

(c) that going for government consumption.

Paucity of data prevents any study in detail of the part going as input into industries but it is quite obvious that the growth rate of this part would be a weighted average of the growth rates of the three goods producing sectors. Government services obviously will grow in an exogenous fashion.

In this article an attempt has been made to study the growth of the domestic services sector and its impact on the balanced rates of growth and relative prices.

Symbolically, we shall put

$$X_4 = H_4$$

In the article referred to above, an implicit assumption is made regarding the growth of H_4, by assuming the ratio $A = \frac{H_3}{H_3 + H_4}$ to remain constant, equal to 0.7617, over the period considered. This assumption is open to criticism. It may be argued that the household consumption of services may grow at a rate lower than that of non-food commodities' consumption or at a higher rate, thus affecting the balanced rates of growth and distorting the effect on relative prices. Clearly, if services grow faster than commodity consumption that would only further aggravate the imbalances and accentuate the relative prices. I have, therefore, considered the sensitivity of the model only for two alternative rates of growth of X_4, both lower than that of H_3, by changing A from 0.7617 to 0.80 and 0.85. Table 1 gives the implicit rates of growth of the services sector corresponding to the above three values of the ratio A and to different assumptions about the growth of the agriculture and industrial sector.

Table 2 gives the balanced rates of growth of industries sector corresponding to a 2 per cent and 5 per cent rate of growth of agriculture and also to a 12 per cent growth of industries. It is seen that the imbalance between a 5 per cent rate of growth of agriculture and 12 per cent, of industry is still very pronounced, notwithstanding the fact that the growth rate of services has been reduced from 10.7 to 4.6.

A study of Table 3 giving the relative prices also confirms the insensitivity of the model to changes in the growth rate of services.

Having established the insensitivity of the model to a fall in the growth rate of the services sector, an attempt has been made to verify empirically the assumed fall in the rate. Unfortunately the breakdown of non-food sector into commodities and services is not available for all the rounds of the N S S. A limited comparison could only be made between the 3rd 4th, 10th and 13th rounds. Though the evidence is not conclusive, Table 4 shows that with rising per capita expenditure the expenditure on services also shows a rise. Thus, if anything, the ratio 0.7617 might be an *overestimate* rather than an underestimate and if a lower figure is assumed for it one would get even more striking results than what have been presented in Rudra's paper.

Table 1: Growth of the Services Sector

Agriculture	Industry	Services for A Equal to 0.7617	.80	0.85
2	10	9.4	7.0	3.3
5	10	6.9	4.5	1.0
5	12	10.7	8.2	4.6

Table 2: Balanced Rates of Growth

A.	Sector 1 Agriculture	Sector 2 Industries	Coal, Sector 3 electricity & transport
.7617	2.0	6.2	4.4
.80	2.0	6.3	4.6
.85	2.0	6.5	4.8
.7617	5.0	9.8	7.7
.80	5.0	9.9	8.0
.85	5.0	10.0	8.2
.7617	6.9	12.0	9.8
.80	6.8	12.0	10.0
.85	6.7	12.0	10.0

Tablt 3: Price Repercussion of Imbalanced Growth

Rates of growth		Relative prices in 1970-71 for A Equal to .7617		.80		.85	
Agriculture.	Industry.	Food Grain to Non-food	Other Food to Non-food	Food Grains to Non-food	Other Food to Non-food	Food Grains to Non-food	Other Food to Non-food
2%	10%	4.10	20.71	3.77	18.79	3.39	16.87
5%	10%	1.14	2.04	1.03	1.83	0.90	1.60
5%	12%	2.09	3.74	1.94	3.46	1.75	3.13

Table 4: Change in A Over N S S Rounds

Rounds	3rd	4th	10th	13th
Total per capita expenditure	26.5	22.9	18.9	19.7
Per capita non-food expenditure	9.89	9.32	6.69	6.69
Ratio A	.61	.58	.80	.76

deep the shadows cast by Macaulay's Minutes even then can be gathered from the inscription at the foot of the bust of Sir Asutosh at the Calcutta University:

> "His noble achievements, the greatest of all,
> The place of mother tongue in the step-mother's hall".

The opening of the Post-graduate Department for teaching and research in which, too, the Calcutta University was the pioneer, was the biggest single step forward for the University, which, like the other Indian universities, had remained hitherto only an affiliating or examining body. With post graduate teaching came a vast expansion of the subjects taught, both in the humanities and the sciences. The University Science College was set up without any government funds, principally with munificent donations, not from millionaire businessmen, but from lawyers -Sir Rash Behari Ghose and Sir Taraknath Palit.

For manning the Post graduate Departments, Sir Asutosh scoured the country for talent. He took out C V Raman from the Accountant General's Office and put him in the Chair of Physics when the future Nobel Laureate was in his twenties. A similar feat he performed with Radhakrishnan, whom he got from the Mysore Educational Service to head the Department of Philosophy. There were many others, but not all equally successful. Two of his biggest disappointments were both in economics. Manu Subedar whom he selected for the Chair in Economics when he had just passed out from the I. S I' left academics for practical finance. Manoharlal, fresh from Cambridge, appointed to the same Chair, forsook economics for law, much to the regret of his great teacher, Alfred Marshall.

Believing the University to be a great liberator of the mind, Sir Asutosh opened its door wide. For this, perhaps, he has been called a great democrat. Others have laid the charge against him of lowering the standards of education: that of the matriculation for collecting more examination fees from an ever-increasing number of candidates, thereby to augment the slender resources of the University for meeting the cost of post-graduate studies; and the standard of graduation— Mookerjee's graduates had once become a common derisive term —to increase the number of those entering the portals of the Post-graduate Departments.

The degree of the unpopularity that Sir Asutosh courted from sober sections, it would be difficult for anyone who has known only of Bengal's hero-worship for him to believe. He was bitterly attacked for opening new subjects of study, e g, Pali, Tibetan, linguistics, in which the number of pupils sometimes fell short of the number of teachers. But that was Sir Asutosh's concept of a University —where the best talents would gather and the range of study and exploration would know no bounds. How far-reaching was his gaze! He took a leading part in setting up the Buddhist Bihar in College Square in the hope that it would develop into a centre of Buddhist studies. He had hope, he said at the opening ceremony of the Bihar, of setting up a Buddhist University at Sarnath and cherished the ambition of being its Vice Chancellor.

Sir Asutosh loved education but he loved other things too, loved Sandesh, for example, of which the quantum of his daily intake was a household word, and did not dislike holding court and being surrounded by admirers, as also flatterers or self-seekers. His body was built of generous proportion and so was his heart. Like a banyan tree, with its spreading branches, he offered shelter to all who sought it, not discriminating too carefully who were deserving and who were not.

The Calcutta University which Sir Asutosh had raised to the pinnacle of glory had started showing cracks even before his death and in a few years' time after his guiding hand was removed, it sank and began to stink. What a fall! It is sad to reflect that what began with such promise should end up in such stagnation and squalor. There must be something uplifting about education, however, for however deplorable may be the state of the Calcutta University today, it is not as bad as that of the present Calcutta Corporation, once the glorious creation of another great son of Bengal, C R Das. Both offer challenging problems in the study of morbidity which affects social organisms. This study, however, has to be carried out by the Bengalis themselves if the results are to have any prescriptive value. The great creative period in Bengali life ended with Vivekanand, Rabindranath and Asutosh whose centenaries have come so close together. This study of morbidity is a pre-condition for the emergence of another fruitful period.

Development Bank

THERE is now some—but not very substantive -indication of what the Industrial Development Bank inaugurated on Friday is expected to do. As a further clarification of his statements in Parliament, the Finance Minister has declared that the new institution will perform two broad functions. One is to give fresh strength to the existing financing institutions by subscribing to and purchasing their shares, bonds and debentures and guaranteeing the underwriting obligations assumed by them. The other is to 'enter new fields and set up new standards of constructive and imaginative endeavour'.

The first function represents in reality a transfer of the financial and supervisory obligations so far assumed and discharged by Government directly to the Reserve Bank, of which the IDB is a wholly-owned subsidiary. This is an improvement insofar as the new institution is placed at the remotest possible distance from parliamentary interference, an advantage which the Industrial Finance Corporation does not enjoy. All government financial institutions--IFCI, NIDC, NSIC and the SFC's have suffered from excessive direct association with governmental routine and methods of operation, including the penny saving supervision of the Auditor-General. Headed generally by civil servants on deputation, they have to a large extent integrated government procedures with conventional banking standards. Particularly, none of them has been able to build up an adequate and competent machinery for a full and proper appraisal of projects in the light of new and expanding requirements. To cap it all, even the IFCI's loan operations are impeded by avoidable delays in checking titles to properties. It remains to be seen whether the Reserve Bank will prove a better investor and supervisor than the Government. Some improvement can be expected provided the Reserve Bank succeeds in rationalising its own increasingly bureaucratic set up. For more substantial progress it would be necessary to change the charters and

organisation of these institutions, particularly the SFCs.

One interesting point in this context is the proposal that the IDB would also guarantee the underwriting obligations assumed by the other institutions. This appears to be an altogether new dimension in industrial finance and is comparable in some ways to reinsurance by insurance companies. It means, in effect, that the institutions can undertake underwriting operations beyond their available resources, presumably upto their 'drawing' limit at the IDB window of the Reserve Bank.

One major deficiency in the IDB's set up as envisaged at present, however, is the absence of any reference to foreign exchange resources. The Work Bank will not lend to it because it is in the public sector, and the U S makes no secret of its unwillingness to help in the proliferation of institutional borrowers. True, this handicap is not so crippling as has been made out, but it does detract from the superior role which IDB is expected to assume.

It is the new fields and new "standards of constructive and imaginative [illegible]" which are still left conspicuously vague. The Finance Minister has described the security and margin requirements of existing institutions [illegible], and alleged that most enterprises turn to them only as a last resort though towards the end of his speech, he also castigates promoters for placing excessive reliance on these institutions instead of mobilising the support of public investors. He expects the IDB to judge the safety of its investment in terms of the soundness of the projects and the capabilities of those implementing it and hopes that IDB assistance in turn will inspire public confidence in the soundness, reliability and profitability of projects. Something to this effect was also said in connection with the ICICI but i's operations (*albeit* with smaller resources) have not been noticeably different from those of the IFCI. The free rein and the practically unlimited Reserve Bank backing given to the IDB might do the trick—or it might not. The initiative and imaginative capacity of any institution depends after all on the qualities of those who guide and manage it.

Commonwheeling

PLATITUDES apart, does the Commonwealth exist? It often seems that its ability to survive is an inverse function of its usefulness to its members. Like old soldiers, it will not die but perhaps one morning the world will wake to find the mirage, invented to sweeten the pill of imperial surrender for the British Tories, faded away. For, the interests of its members have increasingly diverged (rightly so, demonstrating their real independence), and the former economic base, British aid and trade in a much poorer world facing a slump, is already too negligible in itself to nail divergent loyalties with hard cash. The long term changes in British industrial structure, like those in other developed countries, have shifted the weight of its trade and interests away from the underdeveloped. The old Tory radical vision current in the interwar period of a vast multi-racial enclave, autarchic, autonomous, and a self-sustaining third force between the United States and Soviet Union, has accordingly evaporated in the hard bright light of the affluent sixties. British application to enter the Common Market and the restriction on Commonwealth immigration (but excluding, of course, non-Commonwealth Irish), both passed by a Tory Government, are but sign boards along the way. It is now no longer high heresy in Britain to question the usefulness of the Commonwealth at all. As in so many things, the Labour Party is stuck with the past, in this case the Tory interwar ideal for the Commonwealth, to cover its complete lack of any alternative to joining Europe. With admirable realism, both India and some African states (notably Nigeria) are tackling the question of reaching a *modus vivendi* with the Common Market that explicitly acknowledges the importance given the Commonwealth.

Not that a Commonwealth without Britain is inconceivable, but it is a little improbable. Nor is it likely that these broader questions will (or even should) concern the meeting of Commonwealth Prime Ministers in London beginning on July 8. There is at the moment enough meat on the bone to keep everyone chewing happily for a week without questioning the actual bone itself. Most important, India and Pakistan will have a chance to meet and discuss whether there are real grounds for a rapproachment. Inevitably, also India will have to report on [illegible] border dispute, and will be able to exercise some influence on those African States still neutral on the issue. Again, India and Ceylon will be able to discuss relations and sort out some of the snags in the skein. Britain, as usual, has a crop of troubles, almost all relating to its membership of NATO rather than the Commonwealth: Malaysia simmers, Aden bubbles, Cyprus froths and British Guiana positively boils, without mentioning British, Indian and Canadian involvement in the Laotian cauldron, or Pakistan's see-saw with China. Kenya, Uganda, Tanganyika have problems of federation to consider and, individually, domestic security; Kenya also faces Somalia, and Tanganyika is still trying bravel; to digest Zanzibar, bones and all. The issue of Southern Rhodesia will demand universal attention, although it is unlikely much will be done since Ian Smith holds the effective initiative at the moment. Ghana will want to press home on South Africa, and the West Indies will worry about each other, and particularly Guiana and Cuba. Australia and New Zealand lie doggo, with, however, a more thar academic interest in what happens in Borneo or Laos.

But the significance of the meetin in all those areas where somethin might be achieved is really in the possibility of small group discussions rather than a full Commonwealth gathering. None of the Commonwealth countries can change British foreign policy in essentials, and *vice versa* The problems involved are not in any way specifically related to the Commonwealth or ones on which the Commonwealth, *qua* Commonwealth can contribute any collective answe —any such attempt would be indig nantly rejected by those with an in terest in the problem (unless the ans wer merely supported them). All parti cipants retain primary loyalty to bodie other than the Commonwealth—NATC (and SEATO), the Belgrade powers, the Organisation for African Unity. I is sometimes suggested that the func tion of communication between ulti mately irreconciliables is the key justi fication for the Commonwealth, bu this merely repeats the old myth tha problems of politics are really ques tions of adequate communication—I only you can get all the right peopl round the table, the problems all dis solve. In fact, what communicatio there is in the Commonwealth coul rapidly be recreated, and much mor cheaply, within the United Nations.

Weekly Notes

Punjab : Not the End

DEMOCRATIC procedures need not produce democratic results always. Before the Das Commission's report was published and Kairon's long-suspected corrupt ways established beyond doubt, the argument was being advanced by the majority group in the Punjab Congress that for the Congress High Command to pick the State's Chief Minister was undemocratic; that the right to elect the Chief Minister was the State legislature party's. This was, of course, unexceptionable on paper. The catch was that during the eight years of his high handed rule, Sardar Pratap Singh Kairon had managed to get into the State Congress executive as well as the State legislature a sufficiently large number of his hench-men to assure him the party's abiding subservience. This became obvious when immediately after his forced resignation, even as newspapers were bristling with reports of the Das Commission's findings, both the Punjab Congress Committee and the legislature Congress party passed lengthy resolutions lauding Kairon's rule. The Pradesh Congress Committee went so far as to affirm that Kairon was "the undisputed leader of the State Congress" and acclaim that his "solid contributions" in the social, political and economic fields were "worth writing in letters of gold".

After this to leave the State Congress to choose its own leader would have been to invite Kairon to continue in power *de facto*. This was so patently obvious that the High Command could not possibly give in.

Little is known about the person whom the High Command has now chosen to replace Kairon, except that he is not one of Kairon's men. This was absolutely necessary since among the new Chief Minister's principal and immediate tasks is that of demolishing the personal empires built up by Kairon in the political and administrative systems of the State. That the Chief Minister elect is not at the same time openly associated with the anti Kairon group of Darbara Singh is also an advantage since the task of cleaning up Punjab's public life, if entrusted to the anti Kairon group, would soon take on the character of a political vendetta resulting probably in the replacement of one system of favouritism and nepotism with another.

Starting with these advantages, what Shri Ram Kishen makes of his admittedly difficult task will depend as much on his own as yet unknown political and administrative ability as on the central leadership of the Congress Party. Indeed the Congress leadership's task in Punjab has far from ended. It is not enough to keep Kairon and his men out of the new Government; the High Command must act to wipe out completely Kairon's influence from Punjab politics. This is a pre condition for the success of the new Government.

More important, how the Congress High Command treats Kairon will be a touchstone of the earnestness of the party's much proclaimed intention to tackle the problem of corruption. Fortunately, in this instance the High Command cannot plead helplessness. The Das Commission's report has been sufficiently damning to justify its insisting that Kairon must immediately resign his seat in the State legislature. This even the Committee on Prevention of Corruption headed by K Santhanam, a Congress Member of Parliament, has recommended. According to the Committee, if after proper enquiry a Minister "is found guilty of the allegation (against him) or is found to have been corrupt, he should be dismissed and should also become ineligible for becoming a Minister or for holding any elective office".

But why should the punishment of corrupt Ministers, such as Kairon and his colleagues named by the Das Commission, stop with their dismissal? It is reported to be the opinion of the Government's law advisers that while both legal and departmental action can be taken against the officials who helped to enrich the Kairon family, under Kairon's orders or out of fear of him, against Kairon himself no legal action can be taken. This, to say the least, is a strange situation which Home Minister Nanda cannot tolerate if he really means all that he has been saying about rooting out corruption. It hardly needs to be said that there is a yawning gap in our statute books if the law is helpless against men in public life who are as unequivocally indicted of corruption as Kairon and his colleagues have been by the Das Commission.

Brief Candle

THE fall of Aldo Moro's Centre-Left Government in Italy is a more dramatic result of the gathering strains of the 'opening to the left' than might have been expected. Not that the problems facing Italy are slight, but at its creation late last year, the new Coalition had some 387 of the 630 seats in the Chamber of Deputies, and this should have seen it through the worst challenges. The actual issue, a vote on credits for secular schools (part of the Budget) was also not one which, on the face of it, should have pulled Moro down. The Government was this week scheduled to introduce its draft plan of 'structural' economic reforms along with a bill to embody part of those reforms by expropriating urban development sites. On July 1, the Christian Democrats were to meet and consider the plan of reforms and the price of Socialist participation in the Coalition Cabinet, in conjunction with the economic crisis currently facing Italy—on both counts, there was a fair chance Moro would be found wanting and would be defeated by the major faction in the Party, the Dorotheans under Minister of the Treasury, Emilio Colombo. On all three issues, the draft reforms, the bill on building sites, and the economic crisis, Moro faced much more serious challenges from his own Right wing (if he pursued the reforms rather than tackling the crisis), and from the Socialists (if they thought he might be abandoning the reforms to pursue a wage freeze), than the one which has in fact defeated him.

Moro's talks with the trade unions to establish an incomes policy were almost entirely unsuccessful; however, new taxation measures in February did something to tighten domestic demand, even if not as much as the credit curbs of the Bank of Italy which has led to bankruptcies among smaller firms, short-time working in many factories (particularly in the car industry) and sackings in the building industry—the damage of a recession to the slow rise of the South cannot be measured but must be substantial. The cut-back in industrial activity from general monetary tightness has intensified the demand from Italian businessmen for a clearcut attack on wages—if wages are controlled, it is said, credit can be relaxed and the

economy can resume its growth (while keeping the *status quo* intact). In particular, Emilio Colombo has made his criticism public, demanding further cuts in public expenditure, a pay pause and the indefinite postponement of any reforms which increase public spending; Dr Guido Carli, Governor of the Bank of Italy, followed this up in his annual report by urging stiffer Government measures to achieve wage stabilisation. Finally, Robert Marjolin and the European Economic Commission are bringing great pressure to bear on Moro to follow a similar course as the price for the loan of 2,000 million dollars from ECM (mainly Germany) to help back the payments position.

All this has imposed maximum strain on the new Coalition. Moro has made no dramatic moves, but those Socialists critical of joining the Government at a time of economic crisis (when else would the Christian Democrats need help from the left?) must have had their suspicions confirmed that they have merely been called to office to sweeten a nasty onslaught on working-class living standards. Both the breakaway Socialists (PSIUP) and the Communists (PCI) wait in the wings to recoup whatever Nenni loses. Communist policy, backed by 166 seats in the Chamber, seems devoted to pulling down the Government as soon as it safely can on the assumption that in a recourse to a general election, the Communists will advance as much as they did in last April's election (the PCI gained roughly an extra million votes in North Italian cities). If they did advance, it is argued, they would then be in a strong position to bargain toughly over the next Government, and even, possibly, participate in it—that is, provided the cost in militants is not too high. One of the main obstacles to a wage policy is the major trade union federation, the PCI dominated CGIL—the Socialists are aware that if they participate in a Government pursuing a wage freeze, they will lose what minority influence they have in the trade unions, as well as risk that either the Communists or the PSIUP will capture their strongholds in any future election.

Nenni has kept a foothold in his old alliance with the PCI by continuing to co-operate with it at the local level and in the trade unions, but he is particularly vulnerable in office in the present crisis. The left-ward drift of the Christian Democrats and the right-ward drift of the Socialists (and the Communists, for that matter) will continue, but their efforts to combine their reformism into a stable Government for Italy has failed yet again. Whether the Left-Centre will be revived—the President is currently trying to recall Moro—is unclear, but the impossibility of forming any other sort of majority at the moment makes something like it very probable. Whether Nenni will again be asked to co-operate in the execution of policies totally at variance with the purposes of his party remains to be seen.

Irrigation: Too Many Projects

IT is now conceded officially that there will be a shortfall of some 6 million acres in the Third Plan irrigation programme. As against the target of a total irrigation potential of 29.47 million acres at the end of the Plan, actual achievement is not expected to exceed 23.16 million acres.

Some of the reasons advanced for this shortfall are the expected ones - e g, shortage of materials, lack of foreign exchange for import of machinery and spare parts, etc. More important, however, it appears that the State Governments have been diverting funds from continuing irrigation schemes to new ones. Thus, according to figures quoted by the Minister of State for Irrigation, Dr K L Rao, sometime ago, the number of major and medium irrigation works undertaken since the beginning of the First Plan is no less than 543. Together these projects, when completed, will create an irrigation potential of 44 million acres out of which only some 16 million acres have been actually developed till now.

One reason why the States take up more projects than they can hope to complete with their financial and administrative resources is that there are in every State regional pulls which have to be satisfied. Another is that the State Governments begin work on as many projects as they can with a view to getting them included in their plans, thereby enlarging their claim to Central assistance. Once the Centre is committed to certain projects, the resources intended for them are diverted to yet new project. As a result even relatively small projects drag on from Plan to Plan without being completed. There is also the temptation to initially underestimate the cost of a project so that the maximum number of projects are approved within a given financial ceiling. Once the projects are taken up for implementation, the cost estimates have to be revised upwards repeatedly. The Nagarjunasagar project is a prominent example. As a result of the cost estimates having to be revised, the Andhra Government has confronted the Centre more than once with demands for larger aid for the project and postponement of recovery of interest on loans already granted.

To accelerate the progress of the more important projects initiated by the States, but which they have no funds to complete, the suggestion has been made in the past that the Centre should select certain major projects which are likely to yield the most results in the form of additional agricultural production and finance them to the maximum extent possible. This suggestion appears to have found acceptance now. The Government of India has decided to select one irrigation or multi-purpose project in each State and bear 50 per cent of its cost. The projects chosen will be large ones costing at least Rs 20 crores each. States which have no project costing Rs 20 crores may be allowed to group together two or three smaller projects.

The projects provisionally selected for such special aid are: Nagarjunasagar (Andhra), Gandak (Bihar), Tawa (Madhya Pradesh), Upper Krishna (Mysore), Beas Project, Units I and II (Punjab), Rajasthan Canal (Rajasthan), Ramganga (Uttar Pradesh), Narmada

Special Number

The next Special Number of *The Economic Weekly* will be out on July 25, 1964. It will be a 180-page issue, bound in art cover and will be priced at Rs 3. Registration and postage charges will be Rs 1.25.

The Special Number will be supplied free to subscribers. Non-subscribers and agents are requested to place their orders in advance.

A FERNANDES
Business Manager

(Gujarat) and Bhima (Maharashtra). All these are existing projects and some at least were taken up for execution years ago. However, it has been estimated that out of a total expenditure of Rs 614 crores there is still a balance of Rs 511 crores to be spent.

Thus, if the intention is to complete these projects in the remaining years of the Third Plan and in the Fourth Plan, they will account for a very sizable part of the proposed outlay on irrigation in the Fourth Plan, to that extent limiting the scope for launching new projects. This will be a good thing altogether. It is necessary, however, that along with the assumption of responsibility by the Centre to finance these projects, Central supervision is tightened to ensure that the States do not drag their feet in putting up their share of finance and, even more important, that the resources earmarked for these projects are not diverted elsewhere.

Not by Profits Alone

THE sluggishness of the capital market in recent months has nothing to do with industrial profits in the past year, or the prospects in the coming year for that matter. This had been suspected for some time. An analysis of the performance of 78 large public industrial companies which have published their accounts for 1963-64 by the *Economic Times* confirms the suspicion. These 78 companies exclude the three largest private sector companies, Tata Steel, Indian Iron and A C C, which have yet to disclose their results, but even stock exchange operators expect these companies to show better results. The study discloses an all-round improvement except in the rate of asset formation and the proportion of profit distributed. Sales of these 78 companies in 1963-64 rose by 15 per cent, pre-tax profits by 17 per cent, and after-tax profits by 22 per cent over the previous year. Gross profit on sales went up from 12 to nearly 13 per cent. The net profit on net worth, i e, share capital and reserves, worked out at 11.4 per cent, almost the highest so far, against 8.9 per cent in 1962-63. Taxation absorbed 53 per cent of pre-tax profits, against 54 per cent in the previous year; dividends absorbed a slightly smaller proportion as compared with last year, 31 against 33 per cent, but retention or ploughback significantly from 13 to nearly 17 per cent. Dividends have declined only as a proportion of profits; the absolute amount has increased. The market is concerned more with earnings than dividends, anyway.

These developments must have been known to speculators and perceptive investors for quite some time before statisticians could quantify them. What, then, is wrong with the market? Clearly, the margins imposed on purchases and sales can have at best only a peripheral effect on stock exchange operations. Margins affect mainly the large operators and that too only in an active market. The TTK budget does offer some excuses. The additional levies on dividend, capital gains and inheritance are bound to have some restraining effect, justifiable though they are. But the budget gives, on the whole, considerable tax relief to public industrial companies. The market was in bad shape long before the budget in any case.

Change of Address

With effect from June 15, 1964 the offices of 'The Economic Weekly' have moved to Co-operative Insurance Building, Sir Pherozeshah Mehta Road, Bombay-1. All communications should be sent to this address.

Our telephone No 253406, however, remains unchanged.

A FERNANDES
Business Manager

The malady is deeper. The hectic rise in consumer prices has reduced savings, and out of this, compulsory deposits have taken a share, how much we still do not know. Besides, the unwary investors who did not sell out in 1960-61 or who came in afterwards are still licking their losses on new issues, caused as much by the teething difficulties of new enterprises as by the incompetence of many managements and the unsoundness of several projects. The raising of the entire structure of interest rates and the prospective yield floor of "over 6 per cent" promised by the Unit Trust are also responsible for a re-adjustment of values at levels well below those prevalent some years back.

A mere lifting or relaxation of margins on stock exchange transactions — and that too on forward shares only — cannot cure the malady. All that the margin release mechanism can do is to give an inducement for such an upward movement of speculative shares as would give outside investors the impression that the uptrend is resumed at last and that they can safely re-enter the market. How significant this re-entry would be and when it would come about depends largely on the growth of and distribution of income or that part of it which is not consumed by rising prices.

PL 480 Trust

THERE is a proposal afoot to form a trust from the PL 480 rupee counterpart funds, according to reports which have appeared in the newspapers. How reliable these reports are there is no way of knowing. The proposal envisages that initially about Rs 100 crores from the counterpart funds would be paid into the trust. The resources of the trust would be utilised to underwrite the rupee shares of U S companies investing in India. In due course, the shares taken up by the trust may be sold in the market. Once the trust is firmly established the World Bank as well as other countries whose nationals are prepared to invest in India may be associated with it. The World Bank's participation will be to the extent of contributing foreign exchange underwriting.

The accumulation of counterpart funds in India, as elsewhere, has created quite a problem. Prior to 1960, the rupee funds arising from sale of PL 480 imports were credited with the State Bank of India which, in turn, invested them in Government securities. This procedure, apart from causing a great deal of confusion in the analysis of monetary and banking statistics, led to serious controversy in view of its alleged impact on deficit financing. In 1960 the procedure was changed and at present the counterpart funds are invested in special securities of the Government of India.

While the current procedure of investing PL 480 funds has prevented the distortion of monetary and banking data, it continues to be cumbersome and complex. Under the agreement between India and the U S Government the PL 480 funds are to be finally allocated between the Government, Indian private sector industries, and foreign U S concerns. This creates complications in budgetary procedures. For example, when counterpart funds are first invested in special securities, they figure as receipts in the capital account of the Government of India. But subsequently, these funds are formally allocated, thereby forcing the Government to make budgetary allocations for their repayment. Though the exact implications for fiscal policy

of the repayment depends on many factors, it creates misunderstanding in public mind, and quite needlessly.

The proposed trust is expected to greatly simplify the procedure for utilising PL 480 funds. Nevertheless, the need for a separate institution when there already exist a number of bodies charged exclusively with financing the private sector is likely to be questioned. Besides, the provision of larger financial assistance to the private sector makes even important the problem of ensuring that private investment flows in the directions envisaged in the Plan. The Planning Commission's mid-term Appraisal of the Third Plan disclosed that while in aggregate financial terms private investment in industry in the first two years of the Plan had kept pace with Plan targets, there had been marked divergences from Plan priorities. High priority projects faced difficulties in arranging foreign collaboration and even in raising funds locally, while relatively low priority projects sailed through smoothly. The central problem of ensuring that the real savings of the community are channelled, with the minimum leakages, into the productive purposes as envisaged in the plans is not solved, and may indeed be made more difficult to solve, by the creation of new institutions to pump money into the private sector.

Capital View

Growing Up with Shastri

Romesh Thapar

THOSE who are unsympathetic to Shastri say that he has suffered a heart attack. His friends claim that it is only heart strain. The truth is somewhere in between — exhaustion from a sloppy, unorganised schedule of work, an untidy approach to appointments, involvement in a host of petty matters and the unwise attempt to take over all the burdens which Jawaharlal Nehru used to shoulder.

It is not necessary for Shastri to be Foreign Minister, Minister for Atomic Energy and Chairman of the Planning Commission — or, for that matter, President of the Mountaineering Institute! He has enough to do as Prime Minister and should shed his other responsibilities.

It is, of course, terribly unfortunate that this subject should become the talk of political circles in the Capital, but the nature of his illness suggests that Shastri is likely to remain a sick man. This impression it will be difficult to wipe away, particularly after the announcement that the Prime Minister will not be attending the Commonwealth Conference in London. The doctors attending on him, mindful of his earlier heart attack, strongly advised him to cancel his trip, though close advisers, exploiting his total lack of faith in modern medical diagnosis, were busy warning him of the political consequences of letting others go in his place.

If Shastri was bold, he would have taken the decision to cancel the trip long before. Despite the publicity attaching to the Commonwealth Prime Ministers' Conference, the gathering is of little consequence — unless, of course, we intend to intervene positively on several critical international questions, particularly the explosive situation in South-East Asia.

Whatever the outcome of this health crisis, there is no denying that it has been handled in a hopelessly thoroughly inept fashion. The press has been sought to be kept in the dark about the exact nature of the illness. The Prime Minister's house at 10, Janpath and its precincts, despite elaborate police and security precautions, have been turned into a makeshift picnic ground with visitors, demonstrators (stripped to the waist!) and vendors vying with each other for attention. And, to top it off, one of Shastri's sons, in his untutored twenties, has taken upon himself the job of *major domo* with the usual exasperating, and often comic, side results.

Shastri's Lack of Style

These peripheral matters notwithstanding, informed circles in the Capital maintain that Shastri can no longer postpone the question of appointing a Foreign Minister. Apart from the fact that he has been unable to devote any time to the critical international questions demanding his immediate attention, it has also become apparent that it will not be possible for him at this rather late stage to do the necessary home-work. This is confirmed by a careful reading of the full text of his speeches on foreign policy in the Lok Sabha debates now offered to the tartled readers of the *Foreign Affairs Record* (February, 1964) published by the Ministry of External Affairs.

Shastri's lack of 'style' could be forgiven were it not for his very obvious lack of clarity in projecting the nuances and shadings of the international situation and the state of our relations with our unfriendly neighbours. Quite clearly, only a full time Foreign Minister can hope to give meaning and content to our interventions — and this applies even if Shastri intends to 'subdue' our foreign policy, as the fairly powerful western lobby is anxious to urge upon him.

While most Congressmen see Education Minister Chagla as their only acceptable Foreign Minister, and this lends credence to the report that Shastri *did* contemplate making this appointment at a critical stage of his Cabinet-making, some have noticed that the unpredictable Biju Patnaik has been trying to make his peace with the Syndicate in order to enter the Cabinet. The snubs administered to the determined Patnaik have not demoralised him: after all, he has a second string to his bow—Morarji Desai's active encouragement to him to contest the forthcoming Congress presidential election!

Shastri, when pressed, will choose a Foreign Minister who has the necessary expertise, but who will not go beyond the Prime Minister's brief. Chagla, it is felt, is a bit too blunt, inclined of late to relish the idea of speaking his mind. But, then, this same bluntness may be Chagla's way of making clear to his colleagues that his talents are multi-faceted, not merely legalistic. And he has certainly proved us cynics wrong by making a definite impact at the slow-moving, cumbrous Education Ministry.

Of course, it would be a shame to shift Chagla to Foreign Affairs when he has settled down so well in Education. He would suffer Subrama-

niam's fate — and what a fate! Having mastered the fundamentals of steel and heavy industrial development, and also shown a remarkable grasp of elusive detail, Subramaniam is saddled with Food and Agriculture where warring Chief Ministers rule the roost.

The recent food conference, despite courageous leadership by Subramaniam, decided to be indecisive — and with Shastri's blessings. Subramaniam's talent is being wasted while Sanjeeva Reddy is still trying to find out what the difference is between steel and iron, and why some of the stuff is described as 'pig'! Reddy's talent should have been reserved for Food and Agriculture where Shastri originally intended to confine it.

The feeling that Shastri is now more than aware of his limitations has convinced those who feed on political speculation that the composition of the Union Cabinet and the leadership of several State governments will undergo a series of transformations before this year is out. That we are able to view such a prospect without undue alarm is proof that the Congress is in earnest about removing factionalists and locating new talent. However, we cannot be complacent.

The election of the comparatively unknown 51 year-old Ram Kishen, a man who is in the Shastri image, as Punjab's Chief Minister, can become the starting point of similar political exercises in other States. True, Ram Kishen is dependent for his support on both Pratap Singh Kairon and Darbara Singh, but if the Centre backs him firmly there is no reason to suppose that he cannot become independent of the factionalists. But one will have to watch developments in Punjab with great care. Mediocrity cannot always be supported.

The anxiety about the degree of firmness and clarity which the Centre will use to build a more trustworthy, *albeit* mediocre, leadership in the States arises from the apprehension, first, that the High Command's inhibitions about launching a determined attack on these practices in the party organisation which encourage factionalism; and second, that the general desire of the High Command to favour so called 'centrist' positions which, in the absence of Nehru, have become a convenient cover for incoherence about policies and perspectives.

'Age of the Commoner'

The need is for healthy, powerful and effective action to make the High Command realise that this country is not to be satisfied only with mediocrity. If mediocre leaders have to be pressed into service, because the outstanding ones are committed in factional battles, then the High Command will have to be compelled to mobilise specialists around these mediocrities. This aspect is sadly neglected. Indeed, there is unhappy tendency to romanticise the 'age of the commoner'.

However, it is encouraging to note some progress on the Kashmir front. At last, Sadiq's plea that the Congress Party should enter the State has been accepted. The decision, taken by both Shastri and Kamaraj, will be implemented by the end of the month. Bakshi Ghulam Mohammed is still trying to popularise the absurd and destructive notion that the National Conference is converted into the Congress Party, but Sadiq appears to have blunted this move with the argument that in the interest of political plurality the National Conference should continue (even as a rump under Bakshi). He has argued forcefully that the Congress Party must be a new creation drawing its supporters from the healthiest elements among the politically conscious groups of the State.

Abdullah's decision to publicly attack Sadiq is proof that Kashmir politics is undergoing a transformation. Sadiq and his able lieutenant Mir Qasim are becoming the rallying point of sober, progressive opinion. Abdullah's quarrels with the vitriolic Farrok will unmask the opportunism of the Action Committee and the Plebiscite Front. If the Congress party is launched in the manner suggested by Sadiq, it should soon be possible to speak of stability in Kashmir.

In short, we are growing up, maturing. The only lag is the near paralysis on what might be termed 'the institutional front'. Mass organisations, representative of the various sections of our people and reflecting their attitudes on policies and programmes, must be re-built without delay if we are to rise above mediocrity and to move forward. The success of this effort will largely condition our political health.

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Letter from Punjab

The Battle Unroyal

NOT surprisingly, the battle of succession in Punjab has ended with the emergence of a dark horse, Shri Ram Kishen, as the Chief Minister. He was a Deputy Minister for about six months way back in 1956-57, and, again, a Minister of State for a brief while in 1962. It is too early to say exactly what brought about his selection by the High Command as its nominee. But there are indications enough to show that factional considerations were not very far in the background, both in Delhi and Chandigarh.

At the Centre, the choice probably marks yet another 'victory' for the Prime Minister, though a partial one this time. But Shri Shastri is not a man to be dissatisfied with partial victories. His present triumph, if that is the right word, lies in the fact that Ram Kishen is a close associate of Sardar Darbara Singh who, in turn, is known to be on intimate terms with the Prime Minister, and was, therefore, his first choice.

Humility and Threats

But the very fact of a second choice being finally adopted might itself be interpreted as a major concession to the redoubtable Mr Kairon, who is still alive and kicking. His game after having failed to get a Kaironite elected was simply to keep Darbara Singh out and for this purpose he kept projecting one candidate after another with a degree of impudence that could hardly be expected of a politician in such obvious disgrace. His last nominee was Giani Zail Singh who said, "We shall humbly follow the High Command. But my fight is with Mr Darbara Singh—and I wish to make it clear that it is a quarrel within the legislature party and not with the High Command". This was so clearly his master's voice, starting with a note of humility and passing onto threats, barely concealed.

The outcome is necessarily a patchwork arrangement which both the factions can claim as victory, the best that could be expected under the circumstances. How long it will endure is anybody's guess, though there do not seem to be many forces working in its favour. The legislative timber in Punjab is not of the very highest order from the point of view of political integrity, even in the very limited sense of personal loyalty. Kairon was able to create 'stability' out of such foot-loose law-makers simply because he was prepared to go to any lengths in restoring 'order'. For instance, it was alleged by the dissidents sometime ago that he had 'won back' one of them simply by getting the latter's wife evicted out of a T B sanatorium. The new incumbent may not be so bold or even devoted to the goddess of stability to be able to adopt such effective methods. But keeping the Congress M L As together was sufficiently hard going even for Kairon. It may be far more difficult for a relative novice like Ram Kishen. This is plainly indicated by the goings-on of the last two weeks or so. According to the Press reports, legislators were in great demand in Chandigarh. They kept visiting both camps and were entertained to lavish dinners and lunches. Cabinet posts and other favours were liberally promised but, of course, not indiscriminately. For, the 'rank' of the legislator was kept strictly in view! This being so, the members kept changing camps with remarkable agility as the bidding kept going up. Indeed, few members of the Congress Assembly Party would satisfy Cameron's test of political honesty that if you are bought, you should stay bought.

Shifting Loyalties

So it is difficult to share Kamaraj's optimism that Ram Kishen will be able to impart an element of 'stability' to Punjab politics. The reasoning is that since his nomination to the post is likely to give a sense of victory to both the factions, he is likely to command wide support. Darbara Singh may be satisfied at getting a man belonging to his group selected as Chief Minister and Kairon may be happy at having successfully frustrated Darbara Singh's plans! So, while the latter proposed Ram Kishen's name at the Congress Party meeting on Tuesday, and was lustily cheered when he did so, Kairon was no less enthusiastic about it. Said he at the meeting, "I am one of those who do more and talk less. I assure you that I shall not submit to anyone, however high and mighty, if he tries to weaken your position as the leader of the party". The threat was so obviously meant for the consumption of Sardar Darbara Singh.

Yet this display of loyalty to the unstated Congress principles and the Party's High Command can fool none but the political innocents into believing that all will be well now. True, every Congress M L A has signed an unconditional undertaking that he will abide by the Centre's decision in the matter. But to accept this undertaking as the last word in the matter would be political naivete. On his way to Chandigarh, Sardar Swaran Singh, the High Command's emissary, is reported to have wondered if the Congress M.L As would be able to "extricate themselves from the past". And, yet, everyone seems to have started believing that the extrication has already taken place, suddenly and completely!

A Deal — and No More

The present arrangement is a deal, pure and simple, between the rival factions, the details of which can be known only after some time. The all too familiar pattern, in the matter of distribution of Cabinet posts and other favours, will have to be repeated. No doubt, Ram Kishen will enjoy at least temporary protection of the Centre. But as the challenges to his position grow and as Shastri gets busy with more pressing problems in other States and at the Centre, he will have to fight his own battles. Possibly, he may have to fight Darbara Singh himself. Alignments and realignments keep taking place here on purely personal grounds.

The conclusion is inescapable, therefore, that the Congress High Command has once again treated the issue as a purely party affair and has tried to resolve it as such. The outcome might be regarded as unexceptionable by the party managers and bosses. But is it morally so? Here we come to the inherent limitations of contemporary politics not only in Punjab but in the country as a whole. What the Das Enquiry exposed was certainly not a situation that required mere palliatives. The least that one could expect was that Kairon and his principal deputies would be expelled from the Congress Party and prosecuted in a court of law. What has been done

instead is that the same old people have been given a voice in the making of the new government and differences patched up. This might be an exercise in political stability, all right, but whether it is also an exercise in political morality is quite another matter.

—**Narindar Singh**

Letter from South

The Vijayawada Blaze

ARSON began in Vijayawada on June 10 and erupted in different localities on the five following days. It was one of the most shameful happenings in Andhra in recent years and could be a menacing pointer.

Vijayawada is not some small town in the large rural State of Andhra. It is the second city and the political centre, apart from being an important railway junction, on the way from being a trading area to an industrial one. All the important Telugu dailies and weeklies are published from Vijayawada, which also saw the birth decades ago of the Congress in Andhra and, later, of the Communist Party as well.

All cities and towns in the process of metropolitan transformation in India have, one supposes, a large complement of the lumpen proletariat. Vijayawada appears to have more than its fair share and the spreading illicit liquor trade has contributed to a big jump in their numbers. *Gurumba* (a particularly potent form of toddy) goondas have emerged as the leaders of the underworld and as a formidable force in the life of the city.

Hooligans Subdued

Many years ago the Communists became a powerful factor in Vijayawada politics through the organisation of volunteer squads to counter the hooligans, engaging them in physical combat. In many areas of the city the Communists won through and, as a result, are roughly equal in strength to the Congress. The hooligans were not routed, but they were distinctly subdued.

The Communist influence in Vijayawada, both in its old and new parts, is strikingly evident. Quite a few squares are named -- officially and unofficially — after the leaders and martyrs of the CPI and every few hundred yards, one can see a low-lying monument topped by a Red Flag. The split in the CPI naturally had significant political repercussions. The official CPI and the Leftists had roughly equal strength. The official organ of the CPI, the daily *Visalandhra*, is brought out from Vijayawada and the headquarters of the Leftists is also situated in the city. The debate and the break roused high passions on both sides. Matters were not improved by a singularly provocative speech by Basavapunnaiah, one of the leading Leftists, some six weeks ago.

Krishna Lanka, where the first blaze occurred, is an islet where workers, the lower middle class and the lumpen proletariat live in palmyra-leaf thatched hurts. There occur some fires here every summer and some floods every monsoon. The Communists are powerfully entrenched in Krishna Lanka and have been the bane of the hooligans who found them a severe check on their depredations. It has also become the scene of passionate controversy between the two groups among the Communists, leading to scuffles and parades, gladly watched by their common foe. The people in general were not much bothered about the rights or wrongs of the dispute among the Communists. They were confused and more than a little demoralised to find the Communists so bitter against each other. Above all, at this particular point of time, they were deprived of effective leadership should any crisis develop.

The First Fire

How the fires started in Krishna Lanka is still a mystery. Some claim that one of the Left Communists left her house — she made her living selling snacks — with a stove burning after having removed all her belongings. Others claim that one of the supporters of the official party set fire to his own house, after clearing his goods, to put the blame on rival group. Yet others are of the opinion that the rowdy elements in Krishna Lanka felt that this was their opportunity to push out both groups of Communists.

It is significant, however, that the first official investigation led to the conclusion that the fire was an accident and that the high wind and extreme heat spread the fire with devastating rapidity. Surprisingly, this report was swiftly withdrawn within twenty-four hours and it was later put out that no investigation had been made at all. This was rather stupid as all the newspapers carried the report of the investigation, even on the very day that the Chief Minister was denying its existence.

Whatever the cause of the first blaze, there is absolutely no doubt in anybody's mind that the subsequent fires were clear cases of arson, cool-bloodedly planned and well organised. And they have taken place mainly in areas where the poor live and where the official Communists and the Leftists are both powerful. The havoc and the panic were not only heart wrenching but enough to ignite the fury of anybody with any soul. It was just luck and the general apprehension that fires might break anywhere at any time — which made people wary — that prevented much loss of life. The arsonists were certainly quite prepared for the worst and ready to roast people alive. Again their job was made easy for them because of the heat, the wind and the palmyra leaf thatches.

One must add that it was strange that, following the first fire, the police did not round up the leaders of the rowdy elements. Instead, very prominent Leftists were picked up, whose reputation and very prominence ruled out the possibility of their complicity in the arson, and also a few other local Communist leaders. These arrests and the continuance at large of the hooligans as well as the open propaganda by a section of the Congress leaders that the Communists were going to burn down the city, completely confused the people and left them wondering who really the arsonists and their patrons were.

Congress Factions Active

Their suspicions were strengthened when another section of the Congress in Vijayawada began open propaganda against the so-called Raju group in their own party. All manner of stories were put out by Congressmen themselves that Raju had powerful links with the anti-social elements. The arsonists, according to these

stories, were well equipped and openly boasted that they had powerful patrons as well as instructions from high quarters. Coming from Congressmen this propaganda made quite an impact. Matters got more complicated when the Raju group of the Vijayawada Congress prevented a joint campaign to calm the people at a conference called by the I G of Police. Even a joint appeal asking the people not to panic but to remain vigilant was turned down by this section of the Congress.

It is reported that this group exerted pressure on the Chief Minister when both the official communists and the Leftists as well as many others urged that a public enquiry be held into the whole affair. The pressure seems to have paid off as till the time of writing no public enquiry has been instituted and a routine police case is being prepared. Not even all sections of the Congress are pleased at this anti-climactic action following events of such importance and arousing such passions.

The tragedy of the fire victims must, of course, take first priority and all possible relief must be afforded them. Yet, certain deeper implications must be pondered upon if worse tragedy is not to follow.

There is no doubt that where the CPI is a powerful force and where the split has resulted in fairly even division, not only will anti social elements take full advantage of the situation but there will be no lack of politicians of various types colluding with these elements. The confusion and passion roused by the split make co ordinated action between the official Communists and Leftists impossible even when both are under fire and when their common base is in danger of being swept away. If this partisan passion is allowed to continue unchecked it will clearly affect the mass organisations with disastrous consequences for the Communists as a whole. One small piece of cold comfort is that this recognition has dawned upon some sections of the Communists, at any rate, who are anxious that ideological political problems should be vehemently argued but within the limits of polemic and discussion.

The Vijayawada blaze has, incidentally, exposed the futility of the Congress trying to make capital out of the Communist split. It is itself riddled with so many groups, often without the slightest ideological or political significance, that any such manoeuvre will only recoil upon itself. Any one group in the Congress seeking to take advantage of the split will be immediately feared as becoming too powerful by the other groups who will not hesitate to denounce it. The vicious circle will only get more vicious.

And the final and most menacing of all lessons is that the underworld in parts of India is getting increasingly assertive in the context of the failure of political articulation. The demoralisation of the people is a fertile breeding ground for the growing insolence of anti-social elements. And let us not lull ourselves into the belief that we are too civilised to have a solid organisation of such elements at some future date, as Germany had, or that we are immune to the Huey Long-type of politics. The Vijayawada blaze lit up quite a few murky spots of India as she is today.

From the London End

East-West Trade

Business or Politics?

THE principles that lie behind the imposition of embargoes on trade are becoming harder and harder to define. While the British shy away from the prospect of imposing trade sanctions against South Africa, they are prepared to trade with Cuba, much to the consternation of the Americans who, for their own part, are busy trying to negotiate deals for sale of nuclear power plant to Rumania. While the British claim that politics cannot be allowed to enter into trade in non-strategic items, i e buses to Cuba, Vauxhall is not going to be permitted to sell £1 million worth of trucks and bus chassis to Indonesia.

Defining Strategic Goods

Dealing with this tricky question, the *Economist* says: "The heart of the matter is that with Rumania asking to buy Western nuclear reactors, and trade deals with West Germany being defended in the Hungarian Press, the old simple patterns of embargo and lifted embargo are coming to an end."

The problem of what constitutes strategic goods has occupied the countries of the Western world ever since the War. An organisation known as COCOM (consisting of the NATO countries with the exception of Iceland and the addition of Japan) was set up shortly after the war to co ordinate an embargo on trade in strategic goods with communist countries. At that time the cold war was going strong and almost any sort of trade with these countries aroused disapproval. With the gradual thaw in East/West relations, many of the embargoes on trade have melted away and the usual process now is for COCOM to revise its banned list annually with the result that the number of items on the embargo list has declined steadily over the years. As is stands to-day, the official list of COCOM is almost entirely restricted to weapons or equipment of war, together with such sophisticated electronics equipment as could be used in missile construction.

In theory, therefore, the field has been left fairly wide open, but differences of opinion still emerge. The U S A, of course, still refuses to sell any items, however trivial, to China which it does not recognise, and considers that Cuba is in a category all of its own. The British feel that the U S should not continue to send aircraft spare parts to Indonesia, while the Americans disapprove strongly of Britain sending buses to Cuba.

Willing to Trade With Cuba...

Taking the Cuban deal first, despite intensive pressure from the Americans, the British Government has decided not to stop the follow-up order of 500 Leyland buses for Cuba. The Minister of Aviation, Julian Amery, told workers at Leyland's factory in Lancashire on June 26: "We have no intention of interfering with a normal commercial transaction which will bring advantage, not only to your firm, but to the country as a whole". When the Cuban Government, late in June, exercised its option to buy a further 500 buses from Leyland Motors, in addition to the 450 it pur-

chased in January, the Export Credits Guarantee Department of the Board of Trade decided to extend cover to Leyland Motors in order to meet the credit requirements of the contract. The total Cuban order will cost some £9 m which is to be paid in sterling over five years.

On the question of whether vehicles could be classed as weapons, the Managing Director of Leyland Motors said: "They could not be called a strategic weapon by any stretch of the imagination". On receipt of the news of the latest Leyland contract, State Department officials in Washington hastened to repeat the Administration's opposition to trade with the Castro regime.

So strong is the American antipathy to any trade with Cuba, that a London dealer had export privileges withdrawn from him by the U S Department of Commerce because his firm bought second-hand tractors from British road contractors and sold them to the best markets, including Cuba. The U S action was reported to have been taken because all these tractors were of U S origin. The London dealer, however, was quite categorical that he did not buy anything from America. Apparently the tractors were made in the U K under an American licence.

. . . But Not Indonesia

There are a number of interesting features in the sale of British buses to Cuba. When these sales were first mooted last year, Cuba was considered a bad commercial risk by the Export Credits Guarantee Department. Accordingly, the Department originally agreed to give cover for the sale of the first lot of buses under a special provision that the sale would be in the national interest. It was worth taking the risk for the sake of boosting a key British export. If Leylands succeed in their attempt to sell bus engines to Hungary, their Cuban trade may well be partly responsible. Since the original deal, Cuba's economic circumstances have improved to the point where she is once more considered a normal commercial risk—though hardly in the gilt edged category. Interestingly enough, it is partly Russian economic aid that has helped to bolster the Cuban economy.

The refusal of the Export Credits Guarantee Department to give cover for the Vauxhall chassis contract with Indonesia, brings up a number of nice points. What is good business policy for Cuba is complicated by political considerations in the case of Indonesia. Incidentally, E C G D recently provided cover for the sale of 1,000 Dodge trucks to Indonesia. This was before fighting began between Indonesia and Malaysia. The present Vauxhall contract is for 1,000 bus and lorry chassis costing £1 m. Several British concerns, including a motor company competing with Vauxhall, have already been refused cover by E C G D. The reasons for refusing cover to exports to Indonesia are far more political than economic. While British troops are being killed in the Borneo jungle, the Government feels that it is hardly the appropriate moment to extend credits to Indonesia. An additional argument used by the British is that it was President Sukarno who started economic sanctions by his ban on trade with Malaysia.

G M May Get Contract

Indonesia has been accounted a bad credit risk for some years, but British exports were, until last August, covered by the national interest criterion. After the trouble with Malaysia, the U K Government has advised E C G D that it is no longer in the national interest to cover British exports to Indonesia. In a written Parliamentary answer last week, Heath, Secretary for Industry and Trade, gave a fairly clear indication that the Export Credits Guarantee Department would not be allowed by the Government to give insurance cover for the Vauxhall contract. "In the present circumstances, the Department are unable, for commercial and economic reasons, to cover new business with Indonesia on any substantial scale."

While there is no difficulty in getting orders from Indonesia, the difficulty in Britain is to get insurance cover although other countries like Japan and Holland are prepared to extend export credits to Indonesia. In the circumstances, it looks as if Vauxhall will now have to cancel the deal unless alternative cover can be found from private sources. It therefore seems likely that General Motors, the parent company which originally had a hand in negotiating the deal, will arrange to supply the chassis from its U S plant.

The refusal to extend credits for trade with Indonesia has brought up a further difference in views between the British and the Americans. It is now felt that if Britain were to make a protest at American sales to Indonesia, the U S might agree to hold back only in return for corresponding British concessions on exports to Cuba.

Expanding Eastern Trade

Some indication of the British Government's attitude to East/West trade was revealed in a speech given by Edward Du Cann, Minister of State, Board of Trade at the annual lunch of the National Association of British Manufacturers on June 23. East/West trade is still only a tiny part of British overseas trade. Total trade with Russia, Eastern Europe and China, accounted for only 3.7 per cent of total British trade last year. (For a comparison the U S A took 8 per cent of U K exports, E E C 20 per cent and E F T A 14 per cent. These markets, with a population of less than half that of the communist countries, took more than ten times the quantity of British goods than the latter.).

Du Cann said that he did not share the view of those who believed that there were absolutely unlimited prospects for the expansion of U K trade with communist countries. However, Britain had secured substantial increases in trade with these countries in recent years. China, suffering from poor harvests had been the exception, but trade with China was now growing rapidly. Exports in the first four months of 1964 were £7.3 m compared with £3.1 m in the corresponding period of 1963. Over the last five years, the U K's total trade with the U S S R and the communist countries of Eastern Europe had increased by 60 per cent—exports were up by 70 per cent and imports by nearly 50 per cent.

In comparison with other Western countries, Britain was doing extremely well. Total West European exports to this group of countries fell from £866 m in 1962 to £846 m in 1963. British exports in the same period rose from £111 m to £122 m.

Du Cann reiterated the view that the U K Government believes strongly in the expansion of peaceful trade with the Soviet Bloc. It believes that an expansion of trade played an important part in encouraging the spirit of detente between East and West. He also pointed out that the extension of credit was now becoming a factor of great importance in regard to trade with these countries. This should not provide any difficulties for British exporters since the Export Credits Guarantee Department was available to support trade with these countries on the same commercial basis as business in other parts of the world.

The Racial Politics of British Guiana

(From a Correspondent in Georgetown)

TWO emergencies in less than one year. Nearly 50 people already killed. A whole village of over two thousand inhabitants completely burnt. An un-accounted number of women raped and men beaten up during the past four or five weeks. A whole family of a highly placed civil servant of Portuguese descent destroyed. And finally over thirty politicians detained, including the Deputy Prime Minister.

These are all the symptoms of the disease that festers the body-politic of British-Guiana, a country which in the early fifties appeared so far ahead of the rest of British Caribbean territories in terms of political advancement that everyone expected British Guiana to be the first to gain complete independence. But Jamaica and Trinidad have already attained independence; the rest of the British Caribbean islands should gain theirs soon. The delay is not on the part of the British so much as on the part of these islands which hope to forge a small federation of their own without the bigger of the islands, Jamaica and Trinidad. The terms 'big' and 'small' are, as ever, used in relative sense. Jamaica, the biggest of these islands, geographically as well as in population, has a population of just about two million and Trinidad and Togabo have yet to reach the one million mark.

Racial Composition

British Guiana has a population of just over 600,0000. East Indians, so called to distinguish them from American Indians, are the largest single group in the country. Next to them come the negroes who came to British Guiana in the 17th and 18th centuries, as to the rest of the Caribbean, as slaves to work on the plantations. With their emancipation and flight to towns, the problem of plantation labour was solved by importing indentured labour mainly from India. Indian immigration started in the 1840's. It is a matter of history how farmers from India were brought to the West Indies, lured by false promises. If the plantation owners stood by the terms of their contract, most Indian labourers would probably have gone back to their country of birth because they found the conditions of work in the plantations absolutely intolerable. The Indian plantation workers were forced to stay on and made their home in these new lands. They raised families and provided an over-increasing labour force for the plantations. thus enabling the plantations to keep the wage-rates low. Education too was deliberately denied to the children of the plantation workers. In this respect, the plantation owners and the Christian missions made common cause, as it were. The few Indian children who gained access to education in the mission schools could do so only if their parents agreed to become Christians or at least gave consent to the conversion of their children. To say the least, the British Government did nothing to improve their position. The nearest analogy to the conditions in India would be that of the untouchables and other depressed classes several of whom became Christians in the hope of bettering their economic prospects and social positions, a hope not always realised.

Indian: the Underdog

Of course, most Indians remained what a local analyst describes as 'un-Christian' and being Heathens, besides being uneducated, were decidedly of a lower cultural and economic order in the popular colonial conception.

The fact that the Indians remained for long in the backwaters is evident even to this day. The civil service in British Guiana (as also in Trinidad) is almost entirely manned by the non-Indians, largely creoles. In racial terms, there is hardly a pure negro in British Guiana, for that matter in the Caribbean. Most coloured people other than East Indians are creoles, a product of the racial inter-mixing between Negroes, Europeans and also American-Indians. The creoles live mostly in towns; Georgetown is a predominantly creole town with a sprinkling of Portuguese and the East Indians. Since the creoles controlled the services, were educationally far more advanced and culturally almost completely westernized, they formed the elite, and regarded themselves as natural successors to the British. In the rest of the British Carribbean territories, this is what was the right thing to happen. But what about Trinidad and British Guiana, the two territories where the creoles did not enjoy absolute majority? In fact, in British Guiana they are outnumbered by the East Indians, whereas in Trinidad the latter are a very close second.

The major reason why in the early fifties, hopes ran high about the pace of political advance in British Guiana was the fact the Indian and creole leadership had made common cause in their fight against the British. Moreover, the leadership of both the racial groups appeared to be informed by high economic and social objectives. Both Forbes Burnham and Cheddi Jagan spoke as socialists and promised largescale social reforms. So theirs was not a mere coalition of racial groups. It appeared to be a much closer coming together and more stronger founded.

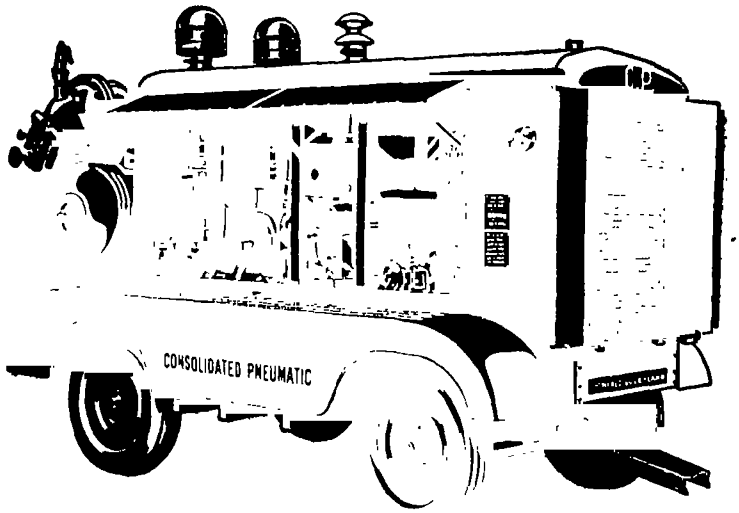
Jagan-Burnham Split

But that was not to be. Between Burnham and Jagan there were differences from the very beginning. These were differences not on objectives as over strategy. But there was, in addition, a clash of personalities. As Raymond Smith puts it in his book 'British Guiana', "it was unfortunate that this difference of opinion over tactics should run partly along racial lines, and introduce a strain between Dr Jagan and Mr Burnham that was naturally aggravated by their very human competition for leadership of the party."

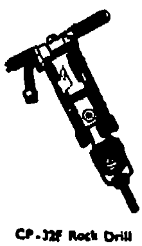
The most unfortunate part of the current story is that the two top-leaders of the country, Jagan and Burnham, draw their support on entirely racial basis. Jagan is the hero of all East Indians, not because he is a socialist and his ideology appeals to his Indian supporters but because he is Indian. And there is no other Indian who matches up to Jagan. Talk to any of the wealthy Indians in British Guiana and they will laugh at the suggestion that Jagan is a communist and that they stand to loose under his rule.

On the other hand, the biggest stick with which Burnham beats Jagan is anti-communism. "Jagan is building himself up as a second Castro. Don't let Jagan assume power after independence or else British Guiana is bound to become another Cuba". Of course, these protests are meant more for foreign ears, especially American ears. And Burnham is a very shrewd politician, easily the shrewdest of all in British Guiana to-day. He knows how over-sensitive the Americans are to Castro. It is impossible for them to

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think of another Castro springing up, in what the Americans call, the Western Hemisphere. Burnham has very successfully aroused American suspicions and fed their fears of Jagan. To American foreign policy, the most important objective in British Guiana is to prevent Jagan from becoming the first Prime Minister. And that is precisely the objective of Burnham.

Internally, Burnham, like Jagan, derives his entire support from his own racial group. The creoles put their full faith in him and, they depend on him to avert the possibility of Indian domination. Whether his social reform programmes also draw his negro supporters or not is hard to say. But the fact remains that his strength, like Jagan's, is primarily racial.

Why Only in Guiana?

One question that outsiders are prone to ask: How is it that things have taken such a bad turn in British Guiana and not in Trinidad where, too, the East Indians and negroes are more or less evenly balanced in number? Well, there is no simple answer to this question. Let us make an attempt, all the same. In Trinidad, negroes outnumber Indians though by a small margin, and at the same time the civil service, including police, is almost entirely manned by negroes. In British Guiana, Indians outnumber the negroes, by a small margin again, but the negroes control the civil service and police. A negro government in Trinidad gets almost all the support it needs from the services. In British Guiana, on the other hand, the services are, to say the least, indifferent to the Indians at the helm. There is a constant tug-of-war between the two wings of the government. In Trinidad too, the parties are split on racial lines but the situation is not out of hand as in British Guiana. If there too, negro polticians had to work with services manned largely by Indians, the situation might have been just as bad.

Of course, there are other factors which complicate the situation, the most important being the role of the British Government who are under constant pressure from the Americans to oust Jagan from power. Then there are the strongly entrenched business interests, predominantly white, which unlike the wealthy Indians, are fully convinced that Jagan is a communist and are naturally apprehensive. They would spare no effort to bring about Jagan's downfall. To them of course even Burnham is only the lesser of the two evil because he too has often spoken of himself and his social and economic programme as socialist and is reportedly disposed favourably to the nationalisation of the plantations

Let us, at this stage, ask ourselves another question. How serious is the danger of a communist take-over under Jagan? That Jagan's dialogue is often-times revolutionary is, no doubt, true. But is he a communist by ideology at least? Jagan himself has never confessed that. Supposing for a moment, however, that he is communist but is not prepared to say so for tactical reasons, what are the chances of his translating the communist dialogue into action? The parallel with Cuba is fallacious. A racially homogenous society in Cuba could and did rally behind Castro. The conditions in British Guiana are different. No radical programme can succeed in this country, unless both the major races are behind it. If Jagan attempts it without first assuring himself of the creole majority support, he is doomed to failure. But if he is not a sworn communist and is just a radical social reformer, it should be possible for him and the negro leadership to agree on a common minimum programme of social and economic reform. So far Jagan has not been able to introduce the most modest reforms, for no other reason but lack of creole support.

The Way Out

Finally, where does the solution to the present *impasse* lie? Not in the ouster of Jagan which the Americans and the British hope to engineer through the most ill-advised system of proportional representation planned by Duncan Sandys; nor in the permanent exclusion from power of Burnham.

But let us be clear about the Sandys plan. A system of proportional representation is not necessarily bad. In fact, one can argue, and quite justifiably, that it is more democratic than the rule of simple majority. But to argue about the merits and demerits of proportional representation is to miss the whole point about the Sandys plan. The Sandys plan cuts at the roots of democracy in giving absolute precedence to parties over the individual representatives. Under this plan, people vote for the parties and not for individual representatives. Parties do publish their lists but that is of little consequence. The essential difference between the Sandys plan and the communist election procedure is that the latter permits only one party to put up candidates whereas the former allows any number of parties to enter the arena. This is an important difference, no doubt. But one should not ignore how closer the two systems are than, say, the British or American election procedures to the communist ones. It is a shame that the British political leadership has to resort to such a short-sighted measure which they will have reasons to regret later. It will not solve the problem of British Guiana. The signs certainly are that it will aggravate the situation. But it will have set a wrong precedent.

A word or two should be said about the general feeling of disappointment with India's foreign policy that one encounters among the East Indians, particularly in troubled British Guiana. Can India not undertake to represent our legitimate case to the world? Is it prepared to abandon us altogether for fear of being accused of racial bias? Is it right for India to abandon even its professed principles of secularism and democracy to appear to be non-racial? These questions are raised very often and it is not possible to answer them to one's own satisfaction, much less to the satisfaction of the East Indians of British Guiana who feel that there is a sort of international conspiracy afoot to deprive them of their just rights. They have given up hope that India will take up their cause in the forthcoming Commonwealth Prime Minister's conference. But if India will not who else will?

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Sterilisation as a Population Control Device

Its Economics

S N Agarwala

There has been a noticeable change in the attitude of the Government of India in favour of sterilisation in the last few years. Till 1959 sterilisation was not officially accepted as a method of population control; today many State Governments, particularly those of Maharashtra and Madras, are planning ambitious programmes of sterilisation with financial support from the Government of India.

Sterilisation has been advocated in India on grounds of its significant impact on the birth rate and its cheapness.

It is argued below that the results to be expected from sterilisation in India have been exaggerated. Nor is sterilisation the cheapest method of family planning.

It is necessary, therefore, that a competent body of specialists examines the performance of the different methods of population control and asssigns to each its place in the family planning programme through a cost-benefit analysis.

STERILISATION has been advocated in India on the basis of its significant impact on birth rate and its cheapness. Since it is a once-for-all method, it is pointed out that an operation performed after the third child birth would tend to avoid another three births in the remaining fertile period of a couple. R A Gopalaswamy has estimated that sterilisation operations performed at the rate of 5 per 1,000 population per annum for a period of 10 years would reduce the birth rate to the same extent as was reduced in Japan "by a surgical operation rate of 12 per thousand per annum"[1], that is, by 12 points. He has also calculated that cost per sterilisation operation, if performed on a large scale and through specially established surgeries, would be only rupees ten. It is proposed to go into both these calculations so that sterilisation could be assigned its proper place, on a cost-benefit analysis, in the general strategy of family planning in India.

Impact on Birth Rate

If it is assumed that the population of India remains fixed at the 1961 level of 438 million and the birth rate at 42 per thousand, and if it is further assumed that one lakh operations are performed annually, the birth rate would decline, on an average, by 0.046 point per annum, or by 0.23 point in five years. Even when one lakh sterilisation operations per year are performed for a longer period, birth rate would decline by 0.38 point at the end of the tenth year and by 0.46 point at the end of the fifteenth year. Thus the effect of sterilisation operations on birth rate would be very marginal.

If the Government of India has a programme of vasectomising the husbands of *all* the currently married females of ages 28-32 within a period of five years, then an average of 2.8 million operations will have to be performed each year.[2] Supposing 2.8 million operations are performed annually for a period of 10 years and if it is assumed that the population size remains fixed at the 1961 level of 438 million and that age and sex composition of the population does not change, although the birth rate is 42 and death rate 20, there would be a 11 point decline in the birth rate if the proportion of those sterilised by age is the same as found by Mrs Dandekar in Maharashtra[3] and by 14 points if the operations are restricted among currently married females of age 28 (that is, those who have an average of 3.2 live births) or their husbands.[4]. Needless to say that the assumption regarding fixed population size over time is far removed from reality and greatly exaggerates the performance of sterilisation. If population size and age composition are allowed to change according to the population projections given in the Third Five Year Plan, 28 million operations performed in 10 years would bring about only a 5.5 point decline in birth rate compared with 11 point under static conditions. Table 1 gives the details.[5]

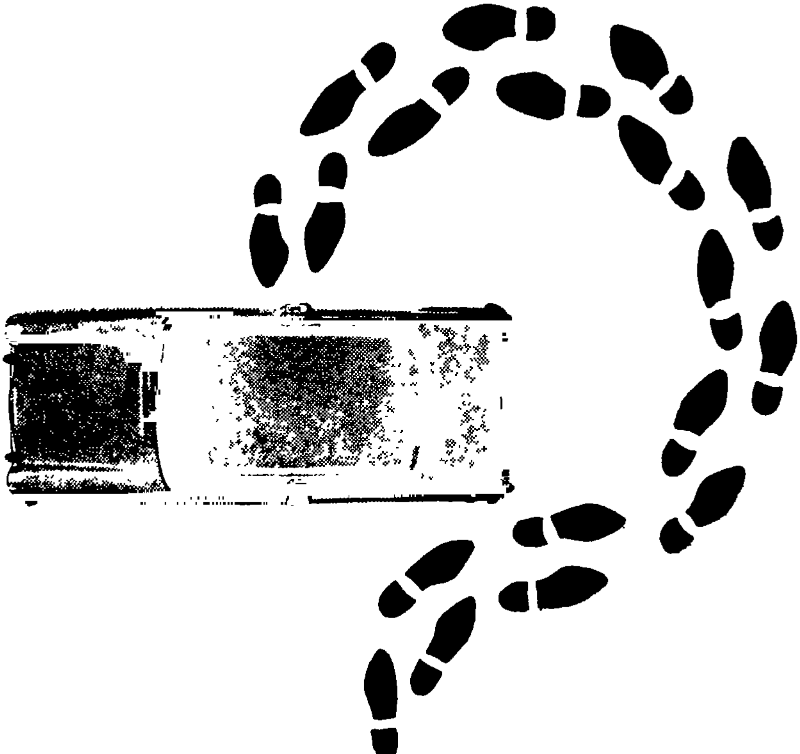
The results may appear a little strange. But it is to be appreciated that the number of currently married females in the reproductive ages would increase from 89.45 million in 1961 to 110.24 million in 1971. Thus, while during the period 1961-71 about 21 million females would enter reproductive ages, 28 million would cease to reproduce as a result of sterilisation operations.

Cost of Vasectomy Operations

There are various estimates of the cost of a vasectomy operation, and they range from Rs 10 to Rs 32. For instance, K T Chitre found that a sterilisation operation costs in Maharashtra Rs 18 "without ofcourse taking into consideration the salaried staff employed otherwise by the State for other functions."[6] G M Phadke mentions that "the cost at a vasectomy camp recently held in the State of Maharashtra, where 2,224 operations were

Table I : Birth Rates With and Without Sterilisation

Year	Birth rate Without Sterilisation Operations	Birth Rate when 28 Lakh Operations Are Performed Each Year	Point Decline in Birth Rate by Stated Years because of Sterilisations
First year	41.7	40.3	1.2
Sixth year	40.4	35.8	4.6
Eleventh year	39.7	34.2	5.5
Sixteenth year	38.4	33.5	4.9



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operated upon during a period of six days, comes to Rs 19 per patient. This includes Rs 10 given to each patient for incidental expenses."[7] According to P Laxmi, the cost of professional and ancillary services for vasectomy in Madras is Rs 10 per operation.[8] In Madras, Rs 30 are paid to a person getting sterilized to meet his incidental expenses and Rs 10 to *panchayats* to meet transport costs of the patient. In the vasectomy camps organised in Satara and Jalgaon, the cost per vasectomy operation came to Rs 32 and 17 respectively.[9] Since the various estimates of the cost do not always include the same items, it is appropriate to break up the total cost and compare different items of cost. Table 2 gives details.

It thus appears that approximately Rs 10 is the cost of professional medical service per vasectomy operation; Rs 10 transport cost: Rs 4 cost of meals, petrol and printing: Rs 2.5 cost of dhobi and miscellaneous items and Rs 10 to 20 incentive cost for loss of wages which is paid to sterilized persons. The approximate cost per vasectomy operation thus works out to between Rs 36 and 46. This, it may be noted, does not include the monetary incentive of Rs 50 or 100 per operation which has been suggested for payment to those getting sterilized.

Cost-Benefit Analysis

We may either work out the cost of a sterilisation programme when a given number of vasectomy operations are to be performed annually for bringing about a proposed reduction in the birth rate by a stated period, or we may work out the cost of reducing one birth through vasectomy operation. Of the two, the latter is more meaningful for evaluating the relative importance of different family planning methods.

If the Government of India launches a programme of compulsorily sterilising only those couples who have given birth to the third child and have not conceived the fourth, one operation would result in the saving of three other births in the remaining fertile period of the couple. If, however, such restrictions are not imposed and the age-distribution of the sterilized males remains the same as at present, one operation would result in the saving of only two children. Since it appears unlikely that the Government of India would be forcing couples of a given parity to undergo compulsory sterilisation, there is no reason to believe that the age distribution of the sterilised males would materially change. It may thus be taken that one vasectomy operation is likely to result in the saving of only two potential births. The monetary cost then of reducing one birth through vasectomy may be taken to be Rs 20 (one-half of the average of Rs 36 and 46). This, it may be appreciated, is the minimal cost, and if a Rs 50 monetary incentive is paid to those getting vasectomised, the cost of saving one birth would increase to Rs 45.

Contraceptives : A Comparison

The cost of reducing one child birth through vasectomy operation can be compared with the cost of any other contraceptive by estimating the quantity of a given contraceptive required for reducing one pregnancy and multiplying it by the cost per unit of that contraceptive. The number of contraceptives required for reducing one pregnancy can be estimated as follows:

$$C = \left(\frac{1}{P_{RW} - P_{RO}}\right)F$$

where: P_{RW} = Pregnancy rate without contraceptive use for 1,200 months of exposure

P_{RO} = Pregnancy rate with contraceptive use per 1,200 months of exposure

F = Mean monthly rate of coital frequency

A study carried out by the present author relating to the effectiveness of contraceptives among the visitors to family planning clinics in Delhi, it was found that among the users of condom the value of P_{RW} was 62/1,200, of P_{RO} 15/1,200 and of F, 5.[10] It can be said that one pregnancy can be saved by using 128 condoms. If however, the mean monthly coital frequency is taken to be 6 instead of 5, 153 condoms can be said to reduce one pregnancy.[11] These calculations, though rough, as our sample is not representative, do give us a fair idea of the number of condoms required for reducing one pregnancy.

The Government of India imports or purchases condoms at the rate of Rs 16 per gross of 144. Even if the higher figure of condoms required for reducing pregnancy is taken, the monetary cost comes to Rs 16 as against Rs 20 through vasectomy operation. It is thus clear that if a given number of births are to be reduced in India, condoms would cost 20 per cent less than vasectomy operations. If, however, non-monetary or psychic costs are also included, vasectomy operations would turn out to be much more expensive.

It thus appears clear that the results to be expected from sterilisation operations in India have been unduly exaggerated. It also does not happen to be the cheapest method of family planning. There is not enough experience in India to evaluate the performance of intra-uterine devices, and they may as well turn out to be the cheapest and the most acceptable method. It is necessary that a competent body examines the performance of various methods and assigns each its appropriate place through a cost-benefit analysis.

Table 2: Cost Per Vasectomy Operation

(in rupees)

	Satara	Madras	Jalgaon	Maharashtra	Estimated cost
(1) Meals, petrol, printing and propaganda	4.1	N A	N A	Nil	4.1
(2) Dhobi and miscellaneous	2.5	N A	N A	Nil	2.5
(3) Medical	25.3	17.2	8-9	10	10.0
(4) Incentive charges for loss of labour			10	30	10-20
(5) Transport cost	—	—		10	10.0
Total	31.9	17.2	18-19	50	36.5-46.5

Notes

1 Gopalaswamy, R A, 'Family Planning: Outlook for Government Action in India', in Cycle V Kiser (Ed) "Research in Family Planning", Princeton: Princeton University Press, 1962, p 78.

G M Phadke has cited Gopalaswamy to suggest that 5 per 1,000 sterilisation operations performed

for 10 years would reduce birth rate by 50 per cent (Phadke, G M, 'Sterilization as a Method of Family Limitation', *Maharashtra Medical Journal*, Vol XI, No 2 May 1964, p 243). Since Phadke has not cited any reference, we will take the more conservative of the two figures, namely, 12 point decline, as correct, since we would show later that these calculations are based on some unwarranted assumptions.

2 There were 14.2 million married females in age-group 28-32 in India in 1961.

3 The proportion of vasectomised males in different age-groups in Maharashtra was as follows:

Age	*Proportion*
23-27	0.29
28-32	10.52
33-37	27.92
38-42	32.16
43-47	17.83
48-52	11.28

See, Dandekar K, 'Vasectomy Camps in Maharashtra', *Population Studies*, November, 1963, p 150. It may be mentioned that the age distribution is very close to that found by the Demographic Research Centre, Trivandurm.

4 Our calculations are close to those of R A Gopalaswamy (*op cit*, pp 76-78). Gopalaswamy has assumed, though not explicitly, a fixed population of 400 million for India and also that all operations are among couples of three children.

5 The calculations have been made on the assumption that the female age at marriage and the proportions currently married in different ages would be the same as found in the 1961 Census, and that the females would be exposed to age-specific fertility rates as found by S P Jain for Punjab in 1961. Average difference in the ages of husband and wife has been taken to be five years, and the proportion of sterilized males in different ages has been taken to be the same as found by Mrs Dandekar in Maharashtra. The first year has been taken as 1961 and the population for the year, 438 million. The total population in the sixth, eleventh and sixteenth years has been taken to be 491.54, 554.67 and 625.16 million respectively.

6 Chitre, K T, 'Sterilization as a Method of Family Limitation and Its Implementation in the Family Planning Programme', *Maharashtra Medical Journal*, Vol XI, No 2, May 1964, p 288.

7 Phadke, G M *op cit*, 244. We are unable to find the cause of difference between the estimates of Phadke and Chitre.

8 Laxmi, P, 'Family Planning Programme in Madras State: The Role of Sterilisation as a Method of Family Planning', *Maharashtra Medical Journal*, Vol XI, No 2, May 1964, pp 271-272.

9 *Family Planning News*, February 1962, p 42 and April 1962, p 82. In Satara 1,400 operations were performed at a cost of Rs 44,682 and in Jalgaon 1,071 operations at the cost of Rs 18,454.60.

10 Agarwala, S N *Fertility Control Through Contraception*, New Delhi, Directorate General of Health Services, Ministry of Health, 1961, p 32, 47 and 21.

11 There is a simple way of looking at the equation. During 100 years of exposure a female has 62 pregnancies without contraceptive use and only 15 when she or her husband uses a contraceptive. Thus there is a saving of 47 pregnancies during 100 years of exposure. Assuming a coital frequency rate of 60 per year, it can be said that during 100 years a total of 60,000 condoms would be used. Dividing this figure by 47 (pregnancies saved) we get a figure of 128 for saving one pregnancy.



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Generalists vs Specialists in Indian Administration—II

Asoke Mohan Roy

The broad issues involved in the debate over the respective roles of the specialist and the generalist in an administrative system, particularly in one which is committed to direct participation in securing rapid economic growth, were examined in the first part of this article which appeared last week. In this, the second and concluding part, an attempt is made to assess the relevance of these issues in three spheres of the Indian administrative system—the district administration, the secretariat and public enterprises.

THE district as a vital unit of administration has been one of the fundamental aspects of our administrative system and the District Magistrate and Collector has always been a key government functionary. The District Officer is a generalist administrator; this position should be continued. By virtue of his influence as Magistrate and Collector, the District Officer is best equipped to enlist the active support of the people in the successful implementation of any major programme of development. He can effectively coordinate the development and welfare activities of different departments. The State governments have, therefore, decided that all development and welfare duties should be entrusted to the district officer.

Role of Coordinator

The Grow More Food Enquiry Committee stated that development activities should be united under the Collector as Extension Officer, assisted by the specialist officers. The First and the Second Plans envisaged the position of the Collector as the head of the district with the district officers of the development departments working with him as a team. The Third Plan charges the D O with the responsibility of ensuring coordination at the district level between the Zila Parishad and the technical officers in different fields. In the context of the Community Development and National Extension Service Programme, the Collector is invested with powers of co-ordination and supervision over the district heads of technical departments, besides being made entirely responsible for the execution of development plans in the district.

According to S P Bapat[8] this role of the District Officer as generalist administrator and coordinator fulfills the need of coordination to prevent conflicts, competition, duplication and waste and differences in approach and treatment. This point has also been forcefully urged in the report of the Bengal Administration Enquiry Committee (1944-1945): "We are satisfied that the time has come in Bengal, and we do not doubt in other provinces as well, to coordinate all the district development activities under a single administrative head. When the objective in geographical area like a district is the welfare of his people, separate activities are merely means to a single end and each cannot be considered in isolation from the rest. Moreover, specialization is itself a disruptive force."

Method of Control

The District Officer's control over development and welfare activities in the district takes the following pattern: While the organizational and professional or technical control over development officers of district rank is that of the departmental superiors, the functional control in non-technical matters is exercised, within certain limits, by the District Officer.[9]

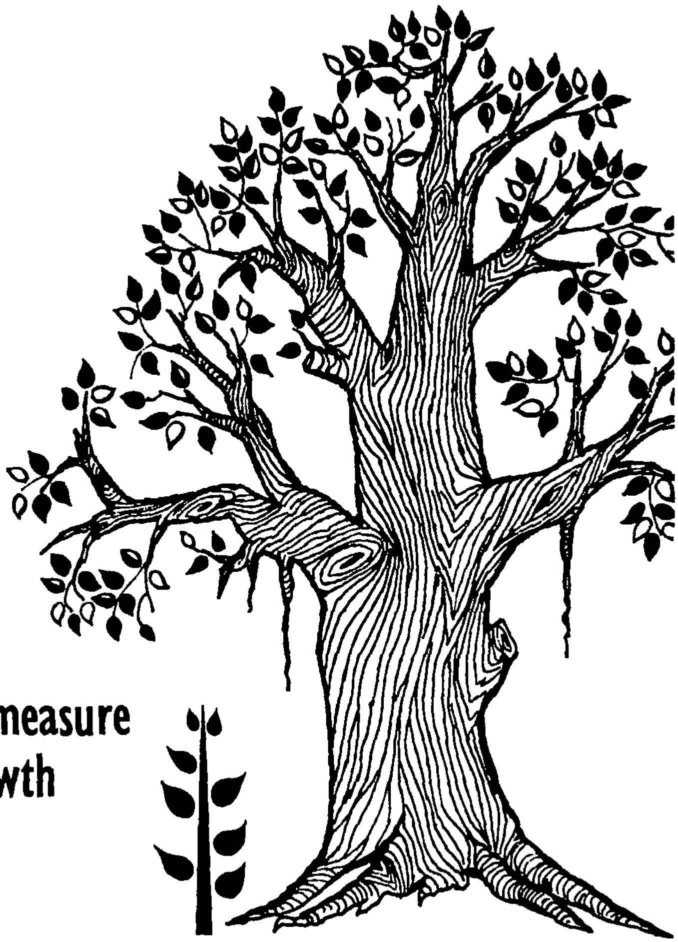
This method of control is based on the theory of dual hierarchy which has been credited with being "the best method of solving the problem of coordination". It rests on a dichotomy between the specialist and the generalist and assumes a dual line of supervision and control from the top down and a dual set of loyalties from the bottom up. "The crux of the problem" according to Dimock and Dimock, "is that certain officers must be administratively responsible to one superior, and technically responsible to another."[10] The District Officer embodies the principle of organization by area and the principle of general administration. The role of the district officer as coordinator and area administrator is very crucial in the system of integrated field administration.

Chapman[11] has justified this type of field structure on two grounds: first, "unless there is a single state authority on the spot with a general responsibility and recognized superiority over other state officials...cooperation must either consist in informal arrangements between the local heads of services or be imposed by decisions taken at the centre by the ministries. The second justification is that decisions and activities can be controlled locally and not by remote control by central officials unaware of local circumstances and sentiments."

The need for this dual supervision arises out of the peculiar circumstances of the district which requires the District officer to be a generalist. A W MacMahon[12] has given a few illustrations to substantiate this point: "if a bridge is being considered, the design and estimates of cost as well as the preferred location are technical decisions, but it is properly an administrative judgment to take account of public protest about the inconvenience of the proposed location and to approve a different though practicable site even at an increased cost... The award of loans is technical but the question of leniency if they are not repaid involves factors that call for an administrative decision. In a different sense, it is an administrative question, to be decided in the light of the total situation, whether a particular employee should be allowed to take leave at a particular time in accordance with the routines of his department. In such a situation it is the general administrator's duty to protect a programme in which a number of agencies and individuals are involved."

Advantage of the Generalist

In the execution of development schemes something more is required than the specific expertise of the canal engineer, the agriculture scientist, the animal husbandry expert or the engineer concerned with road-building. The District Officer's task consists of coordination and unified execution, for he alone among all the development officers has the opportunity to see the process and effect of development in its totality, which the unifunctional preoccupation and responsibility of the different experts prevents them from doing.



How to measure Growth

All things grow in age—but only *some* grow in size and stature. A young sapling shoots up—sprouts new leaves and branches. But how does one measure the growth of a bank? Take the Bank of Baroda, for instance.

One way would be to compare figures. The Bank of Baroda began in 1908 with a single office in Baroda. Now it has as many as 210 branches in India and abroad. And deposits exceed Rs. 140 crores.

A strong and progressive institution with 55 years of experience, the Bank of Baroda has had a successful programme of branch expansion. It has also aimed at an ever-widening pattern of service. Indeed the Bank's chief goal has been to widen the range and scope of its banking services for the convenience of its customers.

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(Estd. 1908) Head Office: Baroda

now has over 210 branches all over India and abroad with deposits totalling over Rs. 140 crores

Write in for our free booklet entitled '**May We Help You?**' which gives details of all our services.

It appears, therefore, that the generalist administrator at the district level is best suited to the task of co-ordinating and supervising development and welfare activities. What is necessary is some sort of reorientation of policy regarding education and training of civil servants. What is important is not merely some general pre-entry knowledge about the structure of working of the economic system, but also systematic and adequate post-entry and mid-career training. Post-entry and mid-career training is particularly important for promoting in the administrator the capacity to integrate diverse specialized knowledge.

The above observations equally apply in the case of the Block Development Officer who is conceived of essentially as a generalist administrator at the block level. His functions are those of a generalist administrator and, in the context of panchayati raj, it will be useful if the B D O remains as a generalist. The B D O has to perform the functions of a coordinating authority at the block level, to take overall responsibility for formulation of an integrated working plan for the block and to guide and supervise the work of other functionaries in the block. The Third Plan has also emphasized this role of the B D O in the administrative set-up at the block level (pp 339-40) in the following words:

"The manner in which the block extension team, comprising the B D O and extension officers in different fields of development functions, is of the highest importance for the success of panchayati raj. To assist the Panchayat Samiti effectively, these officials must continue to function as a team, the B D O providing the necessary coordination and leadership and extension officers in different fields participating actively in formulating programmes and schemes for the consideration of the panchayat samiti and its standing committees executing them impartially in accordance with the rules and ensuring that the supplies and services needed are organized efficiently."

At the Secretariat Level

Both at the Centre and in the States the general practice is to have a Secretary of the ICS or the IAS cadre, drawn from the general line. The secretary looks at the matters from the point of view of the Government as a whole.

The adoption of a federal Constitution in India, coupled with the present centralisation of planning, has made it imperative that the Central Government should have the benefit of a pool of diverse, practical experience of field administration brought to it by the 'deputationists' from the States, so that it can be closely advised as to the manner in which its development policies influence the lives of the people it serves. On the political plane the task of advising the Ministers is performed by party organisations and elected legislators and parliamentarians; on the administrative plane, the function is discharged by the permanent civil servant who, besides being detached and objective, has the advantage of bringing to the counsels of policy-making diverse field experience continually refreshed and renewed.

Conflicting Views

The experts argue, on the other hand, that the development of science in such fields as transport and communications, electronics and power, as well as in the field of social and economic engineering has contributed to the growth of the tribe of specialist public servants. Experts and their supporters deny that the intensive preoccupation of an expert with a narrow field of activity comes in the way of sound administrative judgment. They criticise the practice of channelling expert advice to the political executive through the lay generalist. They complain of interference by general administration in the internal working of specialist departments.

The Second Pay Commission (1957-59) has also considered this question and its recommendations are well worth considering[13]: "where the work of a department at the headquarters of the Government of India is mainly technical, it is desirable, in our view, that the Secretary should be a person who, while possessing administrative ability and capable of taking a broad government-wide view of matters, has a technical background in the particular field. In a department which has a considerable amount of technical as well as administrative work, the Secretary may be either a technical officer with proved administrative capacity or a generalist administrator. Technical officers should not be excluded from the field of choice, on *a-priori* considerations but should be considered on merits. Further, the top technical advisers or heads of departments should have full opportunity to have their views considered by the Minister, along with any views which the Secretary of the Department may have; for which a suitable arrangement may be a joint discussion with the Minister, whenever there is unresolved difference of opinion between the technical head and the Secretary. The basic idea governing the relationship must be in the recognition that the former should have an effective share in the framing of policies and programmes at the highest official levels." In this context the recommendation of V T Krishnamachari[14] to put the technical men at the top of the agricultural and animal husbandry services may be given due consideration in view of the importance of agriculture and allied activities in the Third Plan.

Inspite of sympathetic considerations of the views of experts by the Second Pay Commission and V T Krishnamachari in the sphere of policy formulation, the consensus in India is in favour of the general administrator. A K Chanda[15] has pointed out that in the higher levels of departmental organisation, general administrative experience, a wider outlook and a commonsense approach are more important than specialised knowledge. It is argued that a general administrator is more appreciative of social necessity. He specialises in coordination. One important judgment which he has to make is whether the proposed programme is such as can be easily put into action for the benefit of society.

Public Enterprises

The debate centres on whether a generalist or a specialist should be at the head of public enterprises. There is one school of thought which is of the view that technical personnel cannot make good administrators or managers. The other school holds that except at the level of the man at the machine or bench, a technologist has to carry out managerial tasks side by side with technological ones and the higher the position that he occupies even in his own technical line of work, the larger would be the managerial element in his total work. To decide in advance that a technologist is incapable of occupying positions requiring general management ability is unfair both to the persons concerned and to the organization which is employing them. The organization is deprived of one important source from which it could draw persons with a potential ability to manage it at the highest levels. The individual also

should not, in fairness to him, be deprived of the possibility of reaching the highest positions. Using a technically qualified man for general management work which can be carried out by a person without such qualifications is no doubt wasteful in a country where there is such shortage of technical personnel. Hence the suggestion of this school is that those who like *only technical* work and those who are only suited for such work should not occupy managerial positions. *But those who are considered* suitable for higher management positions and who would like to take up such work should not be denied that opportunity.

No satisfactory answer has been so far found to the question of the proper relationship between the generalist and the specialist in public enterprises. Although the general trend has been to have a generalist as a manager, the claim of the specialist should not be totally ignored, specially in engineering or technical enterprises.

Conclusion

In underdeveloped countries like India the progress towards specialization must be gradual and *adjusted to* the rate of economic and cultural development. Reorientation and training of civil servants to enable them to adjust themselves to the new task of coordinating and integrating the innumerable administrative activities connected with development has already started and it will grow as development gains momentum. In a developing economy the technicians and the generalist administrators have a complementary role. As development proceeds and specialization advances, the service structure will adjust itself and become differentiated rather than unified except at the topmost level.

The present controversy in India stems largely from the differences in scales of pay and in position or power between the generalist and the specialist. While it may be true that a generalist secretary of a department is necessary to guide Ministers properly as the man who takes into account larger public interests, the specialist should not be denied the opportunity to occupy such position at the top if he is deemed to be fit. In the words of D V Kulkarni[8] "suffice it to say that an administrator can be a social worker and a social worker can also prove to be an administrator by years of experience and training. No category either of the administrator or the specialist should claim a superiority over the other. It is only by accepting this position that both these categories can help each other and help together the common cause."

This point has also been urged by Sir James Dunnet in a lecture delivered at Royal Institute of Public Administration (London)[17] on April 10 1961: "the higher the expert rises in his profession, the more he in turn becomes an administrator. Moreover, the higher the level at which problems must be considered, the more *they become matters for general* judgment...Thus the relationship between, say, *the permanent* Secretary of *the Ministry and his chief engineer* is essentially a partnership. In fact, it seems to me, that the relationship is essentially one of trust and mutual respect between the various parties concerned."

The real solution to the problem, therefore, lies in the growth of proper understanding between the specialist and the administrator, and ultimately "it is a matter of personalities rather than of organization. If the administrative class are to have at all levels the last word it must be tactfully and understandingly said. No administrator could deny the importance of technical considerations; therefore no administrator who is any good should deny the expert his say. Conversely, no specialist who is any good should assume that his administrative colleague is an ignorant bigot. Where the attitude is one of mutual understanding the public service benefits greatly."[18] Staff, i e, the specialist, and line, i e, the generalist, are, therefore, operating not in a hierarchical relation but on a horizontal plane of authority and responsibility under the Chief Executive.

Notes

[8] 'Thoughts on Coordination' in *Indian Journal of Public Administration*, July September 1956, p 262.

[9] Letter No 1/CI-102/55A (Part) 6828 dated 1-9-55 from the Chief Secretary, Govt of Bihar to all departments.

[10] "Public Administration", p 331.

[11] "Profession of Government", p 70.

[12] "Delegation and Autonomy", p 42.

[13] Report of the Commission of Enquiry on Emoluments and Conditions of Service of Central Government Employees 1957-59, Government of India, p 111.

[14] Report on Indian and State Administrative Services and Problems of District Administration, September 1962, p 52.

[15] "Indian Administration", p 113.

[16] "Organisation and Administration of Social Work" in the "History and Philosophy of Social Work in India" p 491.

[17] "Civil Service Administrator and the Expert",

[18] Monk Bosworth, "How the Civil Service Works" p 39.

(Concluded)

Cotton Textile Machinery Plant

THE *International* Finance Corporation, an affiliate of the World Bank, has agreed to join with Indian and Swiss interests in providing loan and share capital to Lakshmi Machine Works, a new Indian company which will build and operate a cotton textile machinery plant at Coimbatore in South India, at an estimated cost of nearly Rs 60 million.

IFC's loan and share investment commitment in the new company amounts to $1,380,000. Continental International Finance Corporation, a subsidiary of Continental Illinois National Bank and Trust Company of Chicago, is participating in IFC's loan and share investment.

Lakshmi Machine Works is being established with an issued capital of Rs 25 million, all in equity shares. Its share capital will include subscriptions of Rs 8.75 million by a sponsoring group of Indian industrialists, Rs 3 million by Rieter Machine Works Limited of Switzerland, Rs 2 million (the equivalent of $420,000) by IFC and Rs 1.25 million by another Indian company, Voltas Limited.

The remainder of the stock issue, amounting to Rs 10 million, was offered to the public in February and fully subscribed by the public and the underwriters. The group of underwriters included the Life Insurance Corporation of India, the Industrial Finance Corporation of ndia, the Industrial Credit and Investment Corporation of India and a number of local banks and stock brokerage firms.

From the Chair

The Metal Box Company of India Ltd

Review by the Chairman, Mr. M. K. Vellodi

The Thirty-first Annual General Meeting of The Metal Box Company of India Ltd will be held on Wednesday, the 22nd July 1964 at 59C Chowringhee, Calcutta.

The following is a copy of the Review by the Chairman, Mr M.K. Vellodi, which has already been circulated to members.

Sales

I am glad to be able to report another year of fruitful endeavour particularly as, in my review last year, I struck a somewhat pessimistic note based on the assumption that the greatly increased taxation, both direct and indirect, including such impositions as the compulsory deposit in the last year's budget was bound to curb the purchasing power of the consumer. Happily this assumption proved incorrect, and our Product Sales in the year ended 31st March 1964 increased by 17% to Rs 13.85 crores.

Sales in all significant product groups increased, and during the second half of the year the new Paper Group commenced production. The encouraging volume of our order book for paper products at the year end is an indication that this addition to our packaging service will be widely welcomed.

Throughout the year and especially during the second half, the irregularity in the supply of raw material and, with certain products such as tubes, capacity considerations affected the service we were able to give our customers. In spite of these difficulties, ingenuity and good planning by the Company's managers again resulted in increased productivity, and generous long-term credit arrangements with our associates in England are now enabling us to undertake long overdue modernization programmes. The sales of non-tinplate products will be promoted vigorously during the coming year and with Calcutta No 2's difficulties in tooling up for Defence work largely overcome, the sale of industrial components should be particularly strong. However, the availability of raw materials, especially tinplate and polyethylene, also capacity to produce certain products will continue to determine the extent to which we can meet this year's strong demand.

Of late, Government has become increasingly aware of the important function of scientific packaging in the preservation of goods packed and the protection of the consumer. This is reflected in the current plans for new manufacturing capacity for such essential packaging materials as tinplate, aluminium and polyethylene. A time lag is, however, inevitable before new capacity can be brought on stream. In this interim period the packaging needs of the Third Plan must be serviced without interruption. Failure to do so will have an immediate and severe inflationary effect. In the case of tinplate, for example, Rs 1 lakh spent on imports generates the distribution of over Rs 22 lakhs of essential consumer goods. In this connection, it is worth while considering the growth of all packaging, over the years of the Third Plan. We reckon that in 1960/61 the production of consumer packages valued at Rs 107 crores, and employing 100,000 men enabled the distribution of Rs 2,870 crores of consumer products. This amounts to 12% of the aggregate value of the country's supplies in that year. By 1965/66 it is estimated that the planned growth in production of essential consumer commodities will require packaging materials valued at Rs 213 crores and made by 150,000 men for the distribution of goods worth Rs 6,620 crores.

If these statistics have been seldom considered in past Plans, it is perhaps because packaging as a service industry must of necessity operate behind the scenes. Our contact with the public is indirect. It is therefore all too easy for the proper consideration of our contribution and our problems to go by default. The consequence of apathy can be serious. It is, for example, essential that the country maintains an international standard of packaging and presentation if its consumer products are to succeed in world markets. Every well-packaged item of consumer goods may be a potential export; already some Rs 28 crores of packaged consumer goods are exported annually from India to almost 60 countries all over the globe. The packaging service essential to the effort to diversify India's exports is a specialised one, requiring technology of a very high order. Fortunately, both Government and Industry recognise this need. We therefore welcome Government's move to establish an institute of packaging in the country to assist Indian exporters with packaging and marketing know-how.

Package manufacture the world over is located substantially in the organised section of industry requiring as it does precision mass-production methods; investment in complex machinery; long-term research and development; and close scientific collaboration both with packers and the suppliers of raw material. Export requirements demand that India must have access to the mainstream of the world packaging technology. Your Company serves this role and, by maintaining laboratories and development facilities in Calcutta and Bombay, makes sure that the new techniques and product improvements are developed in consonance with India's own particular requirements and material availability.

In view of the current interest in the scale of industrial operations, it is relevant to mention that as in the case of your Company, far from being prejudicial to the development of the small-scale sector, large-scale enterprise can be of vital assistance to its development. Metal Box, for example, establishes research facilities and develops new packages and packaging systems, builds up markets for them, establishes raw material supplies available to all, trains technicians and supplies for unrestricted sale previously imported packaging machinery. Whether we like it or not we have in a most effective way brought up competition in our wake. In addition, we provide a direct stimulus to small industry from which our purchases each year exceed Rs 60 lakhs. More important, the majority of our 1,500 customers belong to the small-scale

sector. All of our customers, large and small, have access to our research and technical resources and a fund of technological and marketing know-how particularly valuable to the small packer. To take one example, our precision packages and advisory services have helped enterprising prawn canners on the West Coast -all of them relatively small scale in comparison with their competitors overseas — to export over Rs 73 lakhs worth of canned fish last year to markets as competitive as the U.S.A. Our Cochin Factory was established particularly to provide these canners with on-the-spot can service. We also evolved a "flattened' system of can despatch to reduce the freight cost factor for canners all over the country. For small canners in North and South India, we have set up reforming installations at Delhi and Madras which assemble, at cost price only, flattened Open Top cans made on high-speed lines in Calcutta and Bombay. We have supplied similar equipment to the Uttar Pradesh Government to serve the needs of small-scale canners in the rural areas of the U P.

Defence

Sales of ordnance supplies were below forecast during the year, owing to unexpected problems in equipping ourselves and in meeting the standards required by the ordnance inspection authorities. Your Company has so far invested more than Rs 6 lakhs in plant, equipment, tools and dies for Defence work. As our difficulties appear largely to have been resolved, we anticipate a substantial increase in sales during the year ahead.

Exports

After the previous year's setback, export sales went ahead again, increasing by 33% to a new level of Rs 28 lakhs. Extensive overseas touring by senior sales staff to reinforce the work of our agents secured notable gains in Burma, Ceylon and East Africa in particular. Our exports of domestic hardware and publicity materials increased by appropriately 55%, and, to our great satisfaction, machinery sales again rose by more than 100%.

Experience last year has made it abundantly clear that in the face of intense international competition it is far from easy to achieve and maintain the extremely high quality standards required in markets abroad. Your Company's efforts will be further intensified during 1964/65 although we anticipate problems arising out of political developments in Burma and in Ceylon.

I have already referred to our main contribution to the country's foreign exchange earning: the provision of packages made to international standards. In the past year our customers have earned more than Rs 8 crores in foreign exchange through the export of goods packed in our containers.

To stimulate the growing awareness of scientific packaging, both for home and export markets, we organised over the year a series of seminars on consumer packaging for senior executives from amongst our customers, advertising agencies and Government. The seminars aimed at providing a comprehensive background on the subject of packaging to those concerned with the distribution and marketing of consumer products. This effort has been very well received.

Raw Materials

Throughout the past year, and especially during the last four months, the procurement of raw materials presented difficulties. Owing to delays in licensing procedures and the failure of the Russian authorities to fulfil commitments and a disappointing performance by Rourkela, tinplate stocks were very low during the last quarter.

The unfortunate communal disturbances at both Rourkela and Jamshedpur further reduced your Company's tinplate stocks and although the authorities were reasonably appreciative of our difficulties, arrivals against import licences cannot be expected in time to prevent further difficulty in meeting our customers' requirements. Increasingly we are being directed to import tinplate from sources which involve AID or Government-to-Government trading. While the need for this is accepted, the result for your Company is a loss of control over specifications and an unsatisfactory timing of deliveries through repeated procedural delays: also a general increase in tinplate prices.

The strongest possible representations have been made to persuade Government that India requires a minimum importation of 75,000 tons of tinplate during 1964/65. The demand for tinplate is now rising sharply and to the extent that it is not met a broad range of essential consumer products will not reach the markets. Every effort is being made, and must continue to be made, to develop substitute packs, but the climatic conditions, the rough handling and extended shelf-life to be expected in our country set a severe limit to the use of substitutes. For a long time to come therefore tinplate alone, for a majority of packs, will be able to meet these exacting requirements.

The foreign exchange bill for 75,000 tons of tinplate would be a little more than Rs 8.60 crores; while the problems of financing importation at this level are not underrated, it is a relatively small price to pay in terms of the health of the consumer economy when set against the fact that this tonnage means the marketing of consumer goods including foodstuffs and many household necessities worth more than Rs 190 crores at retail prices. Failure to import at this level must mean shortages which can only have a highly inflationary impact on retail prices.

Aluminium supply scarcely balanced demand through the past year but availability in 1964/65 is likely to improve and advantage will be taken of this to push sales of non-tinplate products.

Polyethylene supply virtually dried up during the second half of 1963: the national sugar shortage led to an inadequate supply of industrial alcohol to the two polyethylene producers and the situation is not expected to improve much during 1964. Bearing in mind that to an extent polyethylene, either alone or when laminated with other materials, can for certain packs be a substitute for tinplate, it is regrettable that this shortage has been allowed to develop when adequate capacity for indigenous polyethylene production is either available or about to be commissioned.

With the starting of your Company's new Paper Group, we became for the first time buyers of board and paper on a substantial scale. It is clear that the quality of indigenous board leaves a great deal to be desired. However, our buyers, technical staff and research people are cooperating with suppliers in endeavouring to improve the quality available to us.

Research, Design and Development

PAPER GROUP. Modern high speed equipment has been installed at Worli in Bombay for the manufacture to international standards of paper packages: treated and laminated paper and boards, cartons made therefrom, wrap-around labels, lables for cans and punched labels for bottles. The low quality of boards at present available will continue to give rise to scientific and mechanical problems, but they have not stood in the way of a success-

ful start. We already have a nucleus of highly skilled personnel and the training of staff has continued throughout the year.

BOMBAY NO 2. The new factory at Deonar was completed on schedule and the entire Open Top operation was transferred from Worli to these new pemises. The transfer of tin printing has been slightly delayed due to the late arrival of imported balancing equipment. Deonar has been built to allow room for Paper Group at Worli and to enable the re-laying of our can-making equipment. When the transfer is completed the congestion at Worli will be considerably eased, resulting in the more efficient utilisation of plant and machinery.

FLEXIBLE PACKAGING. During the year under review the Government sanctioned the expansion of our manufacture of Flexible Packages. Currently new equipment is being specified which will permit the expansion of our product range. A new laminate has been developed as a tamperproof diaphragm for tinplate containers combining the protective properties of foil, polyethylene and paper. This material has already been introduced for some packs and its functional properties are being examined for a wide range of other products.

CALCUTTA NO 2. Throughout the year Industrial Components section has been heavily engaged with ordnance supplies: technical resources have been fully stretched and the Technical Development Division played a major role in the design and manufacture of press tools required for this work. Several heavy presses have been installed and the Factory now has a balanced press shop for a wide range of components for the electrical and automotive industries and components for munitions.

MACHINERY BUILDING. Our plans for developing the Machinery Building Section of your Company have been affected by the defence requirements. Nevertheless the supply of closing machinery to customers has continued undisturbed. A valuable export order for production equipment was received from our overseas associates and here again the resources of the Technical Development Division were used to complete the project on time. Further export orders for similar equipment are currently under manufacture.

RESEARCH DIVISION. A Customer Research Canning Laboratory is being established at Research Division to augment our advisory services to the industry. In this laboratory we will be able to reproduce cannery conditions and experiment directly with the canning of new products. Throughout the year the Research laboratories in conjunction with suppliers have continued to develop wholly indigenous materials. Their field of operation has extended to cover the new Paper Group.

Visits from Associates

During the year we had the pleasure of welcoming Mr C E Sutton and Mr A L Stuchbery, Directors of The Metal Box Company Limited. Mr Sutton, who is in charge of the Home Company's Administrative Services, was able to apply to your Company's problems his very considerable experience, particularly that in the field of raw material procurement. Mr Stuchbery, heading Research and Technical Engineering, apart from being one of the world's leading can-makers, is Chairman both of the Council of the Institution of Production Engineers in the UK and the Production Engineering Research Association. He was therefore in an unrivalled position to give us help in the planning of our defence production and the development of our Machinery Building and Industrial Component operations. Needless to say we welcome such visits which are both pleasant and useful.

Employee Relations

During the year under review, labour relations in the country deteriorated and the cordial atmosphere generated by the Emergency and the Industrial Truce Resolution unhappily began to disappear. This was most evident in the engineering industry of which we are a part: it particularly affected our employee relations in Bombay and North India.

If, as we are asked to believe, we are living in a state of emergency, and if the country's paramount needs are increased productivity to strengthen its defence and its export trade and at the same time raising the living standards of the people, then it is essential that there should be on the part of labour an adequate realisation of its responsibilities in this matter and on the part of the Government a determination to ensure that unreasonable demands and indifference to the common weal either by employers or by labour are not given any encouragement.

In Bombay, where over the last 10 years we had successfully negotiated with representative committees elected by our employees, a concerted attempt was made by an outside trade union to create unrest and disturbance. As a consequence our relationship with our employees there during the last few months of the year was under considerable strain. Charters of demands were presented to the Company by three separate unions, all pressing for formal recognition by the Company. Acting in accordance with the Code of Discipline, we have not recognised any union so far. We have, however, concluded an agreement on dearness allowance and gratuity with a union which represents a majority of the monthly-rated staff as certified by the Maharashtra State Labour Commissioner. The demands made by the other two unions were taken to conciliation which was infructuous. However, a bipartite agreement was reached with one of the unions representing the daily-rated employees.

Signs of tension were noticed in Faridabad throughout the year, which culminated in a four-day strike in March. This strike was entirely unjustified, since the issue on which it was called was already under investigation by the Conciliation Officer of the Punjab Government. The issue has now been referred to the Labour Tribunal.

After protracted negotiations, a comprehensive agreement covering terms and conditions of service was concluded with the daily-rated employees at Calcutta No 1, Calcutta No 2 and Technical Development Division. I am happy to report that with the signing of this agreement (operative till December 31, 1967) the restlessness which I mentioned amongst our daily rated employees in the Calcutta establishments last year and in 1962 has largely disappeared.

Your Company continued to emphasise training at all levels within the organisation. Five officers and one Research Associate underwent training by Metal Box in the U K. One senior manager was sent to the Administrative Staff College at Henley-on-Thames, and another attended the Advanced Management Programme organised by the All India Management Association at Bombay. We sponsored a candidate to the nine-month Junior Management Development Course of the Indian Institute of Management, Calcutta. A further thirty-seven managers have undergone the Company's residential Management Course in Calcutta at which we continue to welcome the participation by managers from our Malaysian and Pakistani associates.

Courses for supervisors were organised in the units in man management, safety and work-study. Forty-one apprentices were recruited under the Apprentices Act, in addition to seventy-three currently receiving training under the Company's apprenticeship schemes.

It is a pleasure for me to record the valuable cooperation of the Company's employees in our widespread activities and I thank them and the Management for yet another year's splendid performance.

Board Changes

It was only last year that I paid tribute to the services of Mr K C Mahindra who served as Chairman of our Company for five eventful years. Unhappily he was not destined to enjoy for long the rest from all his labours in the interest of industry in general and our own Company in particular. His death on 31st October 1963 was deeply mourned by all of us in Metal Box and to his family who survive him, we sent our sympathy in their bereavement.

It was with real regret that your Board agreed to release Mr John Cochrane-Barnett from the Board. His services to the Company during the last seventeen years and more—the last three as Deputy Managing Director have been most valuable. His drive and determination, backed by his intimate knowledge of production and marketing in India have contributed in a substantial way to the continued growth of your Company's sales. His tactful and painstaking advocacy of our own and the packaging industry's need for raw materials have been as much respected and appreciated by officials in the Government as have his loyalty and breadth of vision by his colleagues on the Board We shall miss him: and I should like on your behalf and also mine to convey our thanks and good wishes to him.

We have lost another valuable colleague by the resignation of Sardar H S Malik from the Board. After a very distinguished career in the Indian Civil Service, Sardar Malik joined our Board as a Director in 1957. During the last seven years he has, by his wide experience of men and affairs, and by his ability in presenting our problems to the Government, been of the greatest assistance to the Company. On your behalf and also on mine I should like to convey our thanks and good wishes to him.

Conclusion

As a comparative new-comer to your Company I have been doing a certain amount of research into its fortunes. The graphs presented in the Annual report bear eloquent testimony to the Company's growth and prosperity which have been attained by hard work and by the application of progressive methods of production and management.

The smooth and effective manner in which the Company was able successfully to float in March 1964 a Rights Issue of over two crores of rupees is proof of both the soundness of your Company and the confidence that it enjoys in the country.

The speech of the Chairman at the Annual General Meeting of a company has become an occasion in this country and elsewhere for a review of the important events of the year or for the exposition of one facet or another of industrial philosophy. Sometimes these speeches include criticism—mild or otherwise of the policy of the Government, and in particular of its Finance Minister. The temptation to join this chorus is great for the simple reason that I find myself in agreement with most of what has been said, and will continue to be said by others in the same position as myself. But I have often wondered what one would do if one were to find oneself in the unenviable position of the Finance Minister of the Government of India. Given the conditions that exist in our country today, namely the need to finance successive five year Plans of increasing dimensions and defence budgets of staggering proportions, has a Finance Minister much of an alternative? His business is to raise the necessary finance. He cannot do so without hurting someone. All taxes, by whatever name they are called, are an abomination of the Lord: no one likes to pay taxes: but taxation of some kind or another in a civilised and democratic country is the most approved and legitimate means of raising money. All this does not mean that I do not share the views of far more experienced Chairmen of Companies than myself on the Budget and all that it implies: but it is just as well to remind ourselves that all of us—Parliament, Government and Industry—are labourers in the same vineyard: as we sow, so shall we reap.

I cannot conclude this report without referring to the untimely death of our beloved Prime Minister on 27th May 1964. All our units closed on the afternoon of that day and on the following day in token of our grief. Our management and staff met together to mourn their and the country's loss. We "shall not look upon his like again".

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

Caltex

THE throughput of Caltex Oil Refining during the year ended December 31, 1963 was limited to the extent to which licences were available for the import of crude oil. The Company processed 7,771,988 barrels of crude oil as against 7,079,023 barrels in 1962. It commenced production of liquid petroleum gas which is marketed under the trade name 'Calgas'. The expansion of the Visakhapatnam refinery is now under discussion with the Central Government.

Refinery operations brought in a net earning of Rs 52.02 lakhs before providing for taxation and development rebate reserve. Net profit after providing Rs 34.25 lakhs for taxes and Rs 64,885 for development rebate reserve worked out at Rs 17.12 lakhs which together with a balance of Rs 3.33 crores of 1962 has been taken to General Reserve. The Company has already paid a dividend of 10.58 per cent for the year out of previous years' tax free profits and has now declared a further dividend of 9.42 per cent out of profits exempt from tax under Sec 84 and 101 of the Income-tax Act, 1961.

The Directors state that the Company has relinquished duty protection on diesel and fuel oils, granted to it under the terms of the Refinery Agreement, from April 1, 1963. The duty protection amounted to about Rs 76 lakhs for the year and was to continue through December 31, 1965. Caltex tanker movements in Visakhapatnam port accounted for approximately 48 per cent of the total port tonnage and contributed Rs 58 lakhs to the port's revenues. The Company has paid to Government about Rs 29 crores by way of excise duty on products refined by the Company and is pursuing a policy of using indigenous materials to the extent possible in its operations.

The Elphinstone Spg. & Wvg. Mills Co. Ltd.

Speech of the Chairman, Shri N K Jalan

THE following is the Speech of Shri N K Jalan, Chairman, The Elphinstone Spg & Wvg Mills Co Ltd, delivered at the Annual General Meeting of the Shareholders of the Company held on June 25, 1964:

GENTLEMEN,

It gives me great pleasure to welcome you all to this Fortyfifth Annual General Meeting of the Company, and with your permission I shall take the Report and Accounts for the year 1963, which have been in your hands for some time now, as read.

We are meeting under the shadow of the greatest catastrophe that has fallen on the country in the loss of our beloved Prime Minister, Pandit Jawaharlal Nehru, who was the jewel of India and the guiding star of the country's destiny for a pretty long period. He had been a source of great strength to the country and the loss of the nation in his sudden demise is irreparable. He was the architect of the modern industrial India in that the progress of economic development of the nation can be directly attributed to him. The people will remember him for giving more than anything else, the most stable Government to the nation and laying sound foundations for establishing the largest democracy in the world. It was he who strove hard through his life to further the cause of peace in the world and no doubt he will go down in history as one of the wisest among the senior statesmen and leaders devoted to the advancement of human civilisation.

The choice of a successor has fallen very wisely and unanimously on Shri Lal Bahadur Shastri who is known for his quiet disposition, moderation, integrity, tolerance, mature judgment, yet dynamic ability and a flair for finding solutions to the most complicated problems. Shri Shastri has always identified himself with the hopes and aspirations of the people. I am sure, his election would ensure political stability in the country and he will have the enthusiastic and whole-hearted support of the entire nation. His unanimous election as our leader goes to prove that the teachings of Mahatma Gandhi and Jawaharlal Nehru for taking united action in times of emergency have been faithfully pursued.

Coming to the affairs of the Company for the year under review, the gross trading profit was Rs 29,07,662/-. The working results of the year, I hope, will be considered satisfactory especially in the light of higher costs on all counts and low realisation.

Taxable dividend on ordinary shares has been proposed at 18%, same as for the last year.

Production of Cloth

There has been no improvement in the output of Cotton Textile Industry during the past few years. Production of cloth during the year under review was only 4837 million yards as against 4987 and 5142 million yards during 1962 and 1961 respectively. The existing units were not ordinarily allowed to increase their capacity and the Government was banking more on the powerloom production. The uneconomic cost of production also proved a positive deterrent to the increased output in the mill sector.

It is, however, a happy augury that the Government has at long last recognised the necessity of allowing the existing units to increase their capacity and with this end in view has allowed extension of 7½% in spinning and 10% in looms.

Cotton

There was a record production of home-grown cotton since independence during 1962-63 season, the total yield turning out to be as much as 57 lacs bales. The crop in 1963-64 is expected to be still better and the outturn is likely to be in the region of 60 lacs bales. Still, however, there is a very great need for raising the production of cotton to meet the ever expanding demand of the Cotton Textile Industry and further so on account of the expansion of capacity permitted by the Government — but the results achieved so far in this direction are far from satisfactory. In spite of the fact that the ceiling prices for 1962-63 season crop and the floor prices for 1963-64 season were substantially raised, mills were not in a position to procure cotton to the extent required by them and at reasonable prices. It is strongly urged that the traditional methods of farming should be discarded and scientific methods of cultivation be developed and adopted to improve the productivity. Incidentally it may be noted that production in India is still the lowest compared with other principal cotton producing countries of the world.

In order to arrest the heavy drain on the country's valuable foreign exchange resources, as a result of importation of long staple cotton, it is necessary to take some decisive steps to increase the cultivation of this quality inside the country.

It will also be necessary to arrange for the imports of cotton on a systematic basis for the production of finer fabrics to make good the shortfall in the domestic production and to avert any consequences of possible cloth shortage.

Cloth Exports

Although our country was able to export a total of 534 million yards of cloth in 1963 as against only 508 million yards in 1962 -- thanks to the industry's compulsory export obligation scheme -- the country's export performance cannot be said to be satisfactory being much below the export target of 850 million yards. Your mills were able to export approximately 15% of the production of the year as against about 14% in the preceding year.

Bonus

Bonus for the year 1962 was paid in December 1963 at the rate of 25% of the basic earnings of the staff and workers which was at the maximum rate under the Agreement arrived at between the Millowners' Association and the Rashtriya Mill Mazdoor Sangh.

Bonus Commission has already submitted its recommendations to the Government long back and it is still under the consideration of the Government. The main defect of the formula as suggested by the Bonus Commission lies in that the payment of bonus is made to be absolutely unrelated to performance and not in any way linked with the quality and quantity of work that the worker puts in. In other progressive countries such

payment is directly related to productivity. Besides, the recommendations are calculated to especially hit the Cotton Textile Industry inasmuch as the special requirements of rehabilitation of this industry would not constitute a prior charge for the calculation of bonus under the formula.

It is paradoxical to find that the Bonus Commission has not allowed any amount for rehabilitation as a prior charge for computation of bonus as also the development rebate and surtax. The return at 7% on capital and 4% on reserve used as working capital is much low in the present financial condition of the market. Preference shares give a return of 9½ to 10%. Even debentures give a return of 7½%. The semi-Government loans fetch a return of 4¾%. In such a state of market, it is ill-conceived to determine a return of 4% on reserve and 7% on capital, while providing nothing for rehabilitation.

In the Textile Industry a Rehabilitation Enquiry Commission was set up to enquire into the life of the machinery and the amount of money required for rehabilitation. The amount so determined was colossal to wit Rs 66.4 crores. If no allowance is considered for rehabilitation, how, at a time when the costs of plant and machinery are going up every day, it will be possible to rehabilitate such an old industry.

Rising Cost

In the last few years I had occasion to refer to the continuously increasing cost of production of this industry. The pressure of higher cost has exerted itself in all directions. The prices of cotton have gone up sharply. The wage bill of the industry has also gone up considerably as a result of the steep increase in the Dearness Allowance and the increments in the basic wages of the workers awarded in the years 1960 and 1962. Social costs have risen considerably. Employers' contribution to the health insurance scheme of the workers and to the Provident Fund have been raised. Fringe benefits for workers have been enhanced substantially by the grant of extra casual and privilege leave with wages. Prices of stores, colours and chemicals have also increased. Various new Central, State and Municipal taxes have been imposed on the Bombay cotton mill industry since 1960.

As against this relentless and continuous increase in the manufacturing expenses on all counts, the mill cloth prices have been pegged to the same since Jannuary 1961 when the voluntary price control system was adopted by the industry by way of its contribution to the stabilisation of prices. It will, however, be clearly seen that the old formula of fixing the prices of cloth as applied in 1961 has completely outlived its utility and thus needs immediate reorientation.

This price-and-cost inflation has become an institutional feature of our economy and unless positive steps are taken to check the upward thrust of prices and the prices of cloth are allowed to be suitably revised, it would in due course become more and more difficult for mills to face the competition in overseas markets and even to operate on a profitable basis.

Provisions of Last Budget

The Finance Act, 1964, has placed several fresh burdens on the corporate sector.

I would especially like to refer to the dividend tax which has sought to curb not only excessive but any distribution by companies by way of dividends on risk capital. This is not reasonable and I would at least urge for a minimum tax exemption for dividends on equity capital. The incidence would act as a deterrent to companies declaring even normal dividends and the provisions would therefore come in the way of savings and investments. The Companies (Profits) Surtax, replacing Super Profits Tax, with dividend tax and the bonus tax would together place a heavy burden on companies. It is also urged that the Cotton Textile Industry of the country which is facing a mighty problem of modernisation and expansion should be brought within the purview of the specified industries to be entitled to the rebate of super-tax like other specified industries.

Leather Cloth Division

The working of this division was hampered considerably during the year under review owing to acute shortage of basic raw materials. And although in the latter part of the year the required raw materials could be procured from indigenous manufacturers, these were available only in restricted quantities and besides, the quality was not uniform with the result that the quality of the finished products could not come up to the required standards. During the current year, however, we have installed one of the most modern and up to date machines in this division and have also intoduced Foam PVC and Profile Jet qualities. All these are expected to produce leather cloth of very high quality and new varieties apart from improving the existing quality of products. We have also been availing the services of foreign technical consultants to advise us on the latest techniques in the filed of leather cloth manufacture.

Expansion

You might have observed from the Director's Report that the Cotton Textile Loan Advisory Committee has recommended for an additional loan of Rs 37 lacs to the Company from the National Industrial Development Corporation Ltd., for the purpose of equipping the Company's Moon Mills unit with the latest types of spinning and other machinery. We are now trying to finalise negotiation for placement of orders for this Unit.

Modernisation and Renovation

In spite of the various difficulties confronting the working as enumerated in the preceding paragraphs, the management has been continuously putting all its efforts to rationalise, modernise and increase the efficiency all round to enable us to look forward to the future with optimism.

In accordance with this policy, several useful items of machinery valued at about Rs 15 lacs were installed in the various departments during the year under review in addition to the amount spent towards extension of factory buildings.

The Company's equipment of Automatic Looms has steadily increased thereby improving the quality of its cloth production and its capacity to export its goods.

In this context, I would like to point out that the machinery available from indigenous sources are not sufficient for the cotton mill industry to meet its expansion and rehabilitation requirements in the next few years. Until, however, the capacity of the indigenous industry is expanded sufficiently to enable it to make prompt deliveries, the Government should allow liberally some imports of textile machinery, especially ring frames and carding engines etc., even though such import entails foreign exchange spending. Since several aid-giving countries are reported to have agreed to make available to India untied credits, a part of it should be allotted to the cotton mill industry for importation of the badly needed items of machinery.

Note: This does not purpot to be a record of the proceedings of the Annual General Meeting.

ıe Oriental Fire and General Insurance Co., Ltd.

Speech of the Chairman, Shri B K Kaul, ICS

HE following is the Speech delivered by the Chairman, Shri : Kaul, I C S, at the Sixteenth An- l General Meeting of the Shareiers held on Tuesday, June 30, 1:

) The Report, Accounts and Bal- : Sheet for the year ended 31st ember 1963 are already in your ds and, with your approval, I pro- : to take them as read. Before we :eed to consider these for adoption, 'ould like to review some of the its which had a bearing on your ıpany's working during the year.

) Mr Jawaharlal Nehru, suddenly .ed away on Wednesday, 27th / 1964. Mr Nehru's death is a ıning blow to the entire nation. anguished Nation has been mourn- the sudden passing of her most ved son, an illustrious fighter for dom, an outstanding statesman, a ld leader. He occupied a place in hearts and hopes of hundreds of ions of our countrymen. He was architect and symbol of modern a. By his death our country in icular and the world in general suffered a grievous loss. The best ute we can pay to our departed er is to work hard and do our / well so that our country may iper.

) As I mentioned last year, your ıpany was appointed by the Govnent as its sole Agent in connecwith the administration of the ergency Risks Insurance Schemes ods & Factories). During the year 3 the Company received over ,279 applications under these emes at 163 centres all over India. n glad to say that the Company able to cope up with the enorıs work connected with the applions in a satisfactory manner. The k was done by the Company eny on a non-profit basis.

) In the foreign field, the Governıts of Ceylon and Burma restrictthe writing of general insurance to e Institutions from 1st January 1st February 1964, respectively. oth these territories we had been ıg modest but profitable business a number of years. As the unred business is not being taken :, we are required to run off the ting risks and, therefore, have to) a skeleton staff for some time come.

In Kuwait a new agency was established in 1963 and their results have been satisfactory.

Whilst our operations in Pakistan gave us cause for concern in earlier years, we have been able to take effective measures to put the business on an even keel by setting up a regional office at Dacca exercising better control on underwriting and claim and by exploring fresh avenues of profitable business.

In Africa, a Union of the Republic of Tanganyika with Zanzibar was recently announced. We have been operating in East Africa including these two territories for a number of years and I have no doubt that the Union shall provide increased opportunities for expansion of our business.

I had stated last year that we were progressing in the matter of expansion of our foreign business with caution. Whilst this policy has continued we have explored the possibilities of expansion in the Middle East and other Arab countries. It may perhaps be possible to make a beginning in some of these areas during this year, as our negotiations in some cases are quite far advanced.

Operating Results

5) Turning now to the results of the year's working, the net profits for the year of the Company after making provisions for taxation is Rs 17.11 lacs as against Rs 19.40 lacs for the year 1962. The slight fall in the net profits has been due to an increase in claims and in the salary and allowances paid to the staff under the revised agreement.

The Gross Premium income of the Company in 1963 was Rs 1,014.93 lacs as compared to Rs 878.62 lacs in 1962. After fulfilling the statutory obligations and making other cessions the net premium of all departments increased from Rs 492.29 lacs for the year 1962 to Rs 583.88 lacs for 1963 showing an increase of Rs 91.59 lacs i e 18.60% over the previous year's figure. This increase is made up of Rs 74.25 lacs from business transacted in India and Rs 17.34 lacs from business transacted out of India. Considering the market conditions this rise may be considered quite satisfactory.

The overall claims ratio of net claims to net premiums has shown an upward trend i e 59.71% for 1963 as against 56.09% for 1962.

In the Fire Department the claims ratio for the year 1963 was 46.31% as compared to 34.83% for the year 1962. The increase in the claims ratio was mainly due to adverse experience on our Foreign acceptances. On the Miscellaneous side the claim ratio has increased from 57.79% for the year 1962 to 61.22% for 1963, largely on account of continued adverse claims experience in Motor Department in India and out of India. On the Marine side the claims ratio for the year 1963 has registered a fall to 90.34% as compared to 93.26% for 1962.

The overall ratio of commission and expenses of management to net premiums is around 32.4% which is considered satisfactory.

As a result of the year's working the Departmental Reserves have shown an impressive increase of Rs 44.53 lacs at Rs 328.69 lacs for the year 1963 as compared to Rs 284.16 lacs for the year 1962 showing an increase of 15.67% over the previous year's figure.

Our Investments as at 31st December 1963, aggregated to Rs 457 lacs and the total depreciation thereon was around Rs 4.50 lacs and is more than adequately covered by the Investment Reserve. Considering the magnitude of the total investments and the general fall in the prices of shares and securities, it will be seen that the depreciation of 0.98% is nominal.

6) Your Directors have recommended dividend at the rate of 8% (subject to deduction of tax at prescribed rates) on the paid up value of shares as compared to 6% for the year 1962.

The General Reserve has been further augmented by an appropriation of Rs 3.75 lacs.

The year's working has resulted in a substantial increase in the funds of the Company from Rs 454.14 lacs in 1962 to Rs 504.60 lacs in 1963 registering an increase of 11.11% over the previous year's figures.

7) In conclusion, I take this opportunity to express my thanks to our clients and well-wishers both in India and abroad who have continued to extend us their support. I also thank the officers, staff and development officials of the Company for their loyalty and good work.

N.B. This does not purport to be a record of the proceedings of the Annual General Meeting.

Shree Digvijay Cement Co. Limited

Speech of Shri G. L. Bangur, the Chairman, delivered in his absence by Shri B. D. Somani who presided at the Nineteenth Annual General Meeting held at Sikka on Monday, the 29th June 1964 at 4 p.m.

I HAVE pleasure in welcoming you to the Nineteenth Annual General Meeting of the Company. The Directors' Report and Audited Statement of Accounts have been in your hands for some time past, and, with your consent, I take the same as read.

We are meeting today under the shadow of a great national loss by the sudden passing away of our beloved Prime Minister Shri Jawaharlal Nehru on 27th May, 1964. In him our country has lost a jewel, a noble image of the aspirations of India's teeming millions and a great soul who lived and laboured for the betterment of the country, nay, the whole world. The best memorial to the departed leader and architect of modern India is to work for fulfilment of his dream of a peaceful, prosperous and united India.

The working results of your Company for the year under review have shown definite improvement over the previous year. The improvement in earnings as indicated in the Directors' Report, is due to satisfactory working of both the Cement and Asbestos Products Divisions. Recently, the two lakh tonnes expansion plant in the Cement Division has commenced production from November 1963. As such the working for the current year may be expected to show better performance.

Your Directors have approached the Government for grant of an industrial licence for additional two lakh tonnes expansion and I have no doubt, if the Government sanctions adequate foreign exchange and gives us the import licence for import of certain essential portion of the plant and equipments, the new capacity of two lakh tonnes may be expected to be achieved by 1965.

The Company has taken up in hand the construction of deep water jetty at Sikka Port which would link the Factory by ropeway and provide for direct loading of steamers. The Company is grateful to the Gujarat Government for having agreed to allow some concession in wharfage for a period of 10 years in respect of cargo cleared from the proposed deep water jetty.

We have also approached the Government for an industrial licence to expand the capacity of our Asbestos Products Division by another 40,000 tonnes per year for manufacturing asbestos cement sheets and pressure pipes.

The Company has very recently effected two shipments of asbestos cement sheets and pressure pipes to Iran and Pakistan. An agreement has also been made with International Johns Manville Corporation of Beirut, the associates of Johns Manville Corporation, New York, our collaborators, to promote the sales of asbestos cement products of your Company in the Middle-East and African countries.

Progress of the Industry

As you are aware, the rise in demand has far outstripped the rise in the output of cement. There is anxiety on the part of the Government as well as of the industry that the production should be increased substantially, but the reasons for the slow growth of the industry have to be looked into. The cost of production is going up continuously and unless an appropriate rise in the price is given, savings in the hands of the manufacturers are not adequate to embark upon any programme of expansion involving heavy capital cost. Unless therefore the necessary favourable circumstances by which the industry can find the required capital outlay are created, it will be very difficult to bring about any appropriate increase in production capacity.

Another major factor coming in the way of the rapid growth of the Cement Industry is the limited availability of foreign exchange to the Industry. Deliveries of indigenous machinery, I understand are very long and therefore it takes several years before any new cement project or expansion of any old unit can be brought into production. In the interest, therefore, of speedier development of the Industry, it is desirable to allow some relaxation in the matter of foreign exchange for importing cement plant and equipments which will enable an accelerated rate of development programme as envisaged under the Five Year Plans.

The Industry has been constantly pleading for laying down of a definite formula or a basis for giving effect to automatic escalation clause as recommended by the Tariff Commission to facilitate immediate effect being given to increase in specified items of cost without undue delay. The development of the Industry depends mainly on the return available to the Industry and the imperative need to assure proper return to the Industry to accelerate its development activities is amply revealed by no less a person than the Deputy Chairman of the Planning Commission, Shri Asoka Mehta, in his following remarks:

"It is obvious that the country needs both a high rate of investment and a high enough rate of profit on the investment made. Adequate margins of profits will enable us to make larger inputs. In the modern sectors of our economy, including those publicly owned and operated, a 10 per cent rate of return has to be insisted upon. If a particular service or commodity has to be provided at lower than the full economic rate, it has to be through the provision of a subsidy."

Subsidy for Coal Moved by Sea-cum-Rail Route

As you are aware, the Government had introduced compulsory movement of coal by sea-cum-rail route for large consumers situated on Western and Southern coasts from April 1962 to relieve the strain on the Railways and to provide additional traffic for coastal shipping on the specific assurance that the extra cost involved in this movement would be met by grant of adequate subsidy. Pursuant to this arrangement, your Company has been receiving a large part of its requirements of coal by sea route. The scheme for payment of subsidy, in first instance, did not function for about a year and large amounts were involved in arrears. Subesequently, another scheme was evolved by the Government to make fixed payment of subsidy for specific ports. This subsidy falls short in the case of your Company by Rs 4 to Rs 5 per tonne and involves a considerable loss over the quantity moved so far. We have been repeatedly representing this matter to the Government but it is regretted that necessary decision from the department is still not forthcoming.

Switch Over to Oil Firing

Some time back, the Government of India introduced compulsory switch-

er to use of oil from coal in the case cement factories situated in the Southern and Western parts of India and ain assured that reasonable increase ex-works price of cement would be owed to compensate for the extra st involved in the use of furnace oil. though we have partly switched er to oil firing since September 1963 d have been making representations the Government of India for allowing the revision in price of cement on is account, yet it appears here again, at adequate compensation may not be owed and the same may fall short the extra cost involved. This obviously has involved us in incurring pital expenditure in the installation oil firing equipment.

Cement Corporation

I may refer to the Cement Corporation proposed to be formed by the overnment. I hope the Corporation will be a source of assistance to the industry in conducting surveys of raw material availability, preparing project reports, helping promotional activities by financial assistance and reviewing, from time to time, the handicaps being faced by the industry and advising remedial measures to ensure better working and expansion of existing units and formation of new companies.

In closing, I am happy to report that the relations between the management and the employees of the company continue to be cordial and satisfactory. It gives me pleasure to convey, on behalf of us all, our appreciation of the services rendered to the company by the employees.

N.B. This does not purpot to be the report of the proceedings of the Annual General Meeting.

usiness Notes

Tata Group of Mills

THE profits of Ahmedabad Advance and Tata Mills suffered fur er setbacks during 1963. Ahmedabad dvance's profits fell sharply from Rs 1.38 lakhs to Rs 2.73 lakhs while ata's were slightly lower at Rs 12.74 khs compared with Rs 13.81 lakhs. vadeshi's profits, on the contrary, ere higher at Rs 26.63 lakhs as gainst Rs 17.09 lakhs. The fall in ofits in the first two cases is attributed to increased costs of production ithout a corresponding increase in the selling price of cloth. The favourable results of Svadeshi were due to the remunerative sales of better quality cloth. The Chairman, Shri N H Tata is of the opinion that in the circumstances prevailing, the only way to maintain or increase profits was to rationalise production and effect economies in costs.

Cotton prices were high during the year. There was, besides, scramble for good staple cotton. Consumption of cotton amounted to 39 per cent of the total cost of production in Ahmedabad Advance and 42 per cent in the case of Tata Mills and Svadeshi Mills. Shri Tata has emphasised the need for concerted attempts to increase the acreage yield of Indian cotton. Secondly, employees' pay packets and benefits have increased as a result of the stepping up of dearness allowance, the number of holidays and the employer's contribution to Provident Fund and State Insurance Fund. As against this, labour productivity has not increased to arrest inflationary trends. Shri Tata has quoted figures to show that wage costs in India were higher than in Europe by 60 per cent for spinning and by 33 per cent for weaving. Other factors which accounted for the reduced profits, according to the Chairman, are higher duties on import of plant, machinery and stores and rise in power costs.

Shri Tata has expressed himself against the continuance of the Voluntary Price Regulation Scheme. The alternative is to reduce the cost of production by rationalising production by the import of new plant and machinery, expansion of installed capacities and cutting down operational costs. Shri Tata is critical of the role of the unregistered power looms sector which employs all ingenious methods to avoid central excise duties and sales tax and competes unfairly with the organised mill sector.

The table below will highlight the financial results of the three companies in 1963 and 1962.

The Tata Group of Mills

(in lakhs of Rupees)

	Ahmedabad Advance Mills		Tata Mills		Svadeshi Mills	
	1963	1962	1963	1962	1963	1962
ales and other income	311	309	506	509	570	529
ross profit	16.44	23.10	32.04	37.51	77.97	59.22
ross profit margin (p c)	5.2	7.6	6.3	7.3	13.6	11.1
epreciation, development reserve and taxation	13.71	9.72	19.29	23.70	51.34	42.13
et profit	2.73	13.38	12.74	13.81	26.63	17.09
et profit margin (p c)	0.8	4.3	2.5	2.7	4.6	3.2
mount available for disposal, including previous balance	2.87	13.49	12.76	14.11	26.72	17.33
ppropriations:						
Gratuity Reserve	0.10	0.10	0.30	0.60	0.50	0.75
Dividend Reserve	2.70	5.75	12.40	13.50	20.10	16.50
General Reserve	—	7.50	—	—	6.50	—
ref dividend	0.71	0.71	—	—	1.07	1.07
rdy Dividend	5.00	4.67	11.80	13.12	19.00	17.00
arnings per ordy share (net) (Rs)	4.0	25.3	4.8	5.2	25.5	16
ividend per share (Rs)	10	11	4.50	5.00	19	17

On account of the steep fall in profits in the case of Ahmedabad Advance, the Directors have transferred a sum of Rs 3 lakhs from General Reserve to Dividend Reserve to declare a dividend of Rs 10 per ordinary share. The Mills have installed new plant and machinery of the value of Rs 23 lakhs, and have put into operation 52 automatic looms during the year. As renovation and rehabilitation of the Mills are proceeding apace the Company needs additional finance and for this purpose, and also for the purpose of correcting the present imbalance between share capital and the block account. The Directors intend to issue rights shares as well as free bonus shares.

Tata Mills have installed Rs 29 lakhs worth of new plant and machinery during the year. The Directors of Tata Mills have decided to raise the paid up capital to bring it in line with the block account. Svadeshi

Mills have also installed Rs 32 lakhs worth of new plant and equipment. By these additions, the Directors of Svadeshi expect that the quality of cloth will improve further and that a *better balance between spinning and weaving* will be secured. In addition, the Directors have long term plans for further renovation of the mills in stages.

Shree Digvijay Cement

THE working results of Shree Digvijay Cement for the year ended December 31, 1963 have shown an overall improvement over the previous year. This is attributed to the higher earnings from the Asbestos Cement Products Division and the increased output of cement. Cement and clinker output amounted to 5.03 lakh tons and 4.62 lakh tons, respectively, as against 4.72 lakh tons and 4.26 lakh tons in the previous year. With the *commissioning* of the expansion unit from November last, the cement division is now operating with an annual installed capacity of 6.4 lakh tons.

The raising of the retention price by Rs 2.75 per tonne from June 1, 1963, did not, according to the Directors, cover adequately the total increase in the production cost. The industry has already made a plea to the Government for adequate compensation.

The Company has applied for an industrial licence for expanding the Asbestos production plant by putting up additional pipe and sheet machinery. The output of the Asbestos Cement Products Division was 23,300 tons. The supply position of Asbestos fibre continues to be difficult.

Sales recorded a sharp rise from Rs 4.65 crores to Rs 6.18 crores during the year. Net profit, after providing Rs 32.63 lakhs (Rs 21.75 lakhs) for depreciation, Rs 16.20 lakhs (Rs 11 21 lakhs) for development rebate reserve and Rs 29.00 lakhs (Rs 17.65 lakhs) for taxation, amounted to Rs 40.56 lakhs as against Rs 16.67 lakhs in 1962. The equity dividend is raised from Rs 10 to Rs 13 per share on the increased capital.

Orissa Cement

ORISSA Cement's financial results turned out to be less favourable during 1963, the gross profit declining from Rs 142 lakhs to Rs 101 lakhs, and net profit, subject to tax, falling from Rs 95.45 lakhs to Rs 22.54 lakhs. The profits were adversely affected by factors like shortfall in despatches of *cement, silica and basic refractories*, rise in raw material and manufacturing costs and lower *utilisation of productive capacity*. The ordinary dividend has, however, been maintained at Rs 1 per share of Rs 10 by drawing Rs 28.56 lakhs from General Reserve and utilizing Rs 10.66 lakhs from the profits of the year.

The lower clinker output during the year is attributed by the Directors to the frequent stoppages of the kilns for brickliming and repairs. The Directors complain that packing charges fixed by Government do not adequately compensate the expenses incurred. The Company got an increase of Rs 2.75 per tonne in the retention price as from June 1, 1963, as against Rs 4.44 per tonne claimed by the Company.

The Company has secured an industrial licence for the manufacture of slag cement based on blast furnace slag available as a bye-product from the Rourkela Steel Plant. However the slag has not been found suitable for manufacture of cement conforming *to the standard specifications. The feasibility of modifying the standard* specification is being investigated.

The Company's refractory products have been exhibited in the New York World Fair. The Directors observe *that production targets in the refractory* division were affected by the go slow policy of workers and by the disturbances at Rourkela.

Synthetics and Chemicals

SYNTHETICS and Chemicals has suffered a loss of Rs 29.26 lakhs for the year 1963 without providing depreciation and the Company has carried forward a total loss of Rs 38.88 lakhs. The loss has resulted in spite of a steep rise in the sales turnover from Rs 2.24 lakhs to Rs 93.72 lakhs. Raw materials consumed show a substantial rise at Rs 148.99 lakhs (Rs 47.99 lakhs), salaries, etc, absorbed more at Rs 45.80 lakhs (Rs 14.08 lakhs), power and fuel cost Rs 47.62 lakhs (Rs 23.24 lakhs), car expenses amounted to Rs 3.11 lakhs (Rs 83,708), travelling expenses took away Rs 2.52 lakhs (Rs 1.22 lakhs), guarantee commission was charged at Rs 4.03 lakhs (nil) and selling agency commission at Rs 1.71 lakhs (nil). Depreciation and taxation have attracted no provisions.

This was the fourth year of the Company and commercial production of synthetic rubber was started during the year. The plant has a production capacity of 30,000 tons per annum, but actual production during the year amounted to only 8,511 metric tonnes. *This was due to the continuance of* imports of rubber, both synthetic and *natural*, and increasing indigenous production. The Directors, therefore, suggest that imports of all rubber should be completely banned till the existing production capacity in the country is fully absorbed. They further point out that due to the rise in the costs of raw materials and imported chemicals, the cost of rubber is higher than originally envisaged.

National Tannery

PRODUCTION of National Tannery continued to rise during the year 1963 and sales increased by Rs 19 lakhs to Rs 65 lakhs. Pre-tax trading profit amounted to Rs 1.55 lakhs as against Rs 1.24 lakhs and a dividend of 4.5 per cent was declared on equity shares. The Company has fully utilized the loan of Rs 5 lakhs taken from the West Bengal Financial Corporation and is availing of a further loan of Rs 8.25 lakhs for expanding its capacity for the manufacture of chrome tanned goat skins.

The Chairman, Shri Sanjoy Sen, states that restriction on exports of raw goat skins and creation of additional tanning capacity will be necessary to meet the growing demand for tanned skins. The Company has also *entered into an export contract with* a foreign importer. The depressed international market for finished leather is restricting exports of finished leather. The introduction of reconstituted leather in the U S, according to Sanjoy Sen, is likely to affect the future of the leather industry.

The Company has diverted a substantial part of its sole leather capacity to meet defence requirements. In the context of export possibilities of Indian leather and shoes, the Chairman pleads for the removal of restrictions on fresh capacity for tanning and for permitting mechanised leather finishing plants and shoe making units for the manufacture of quality products for exports.

Duncan Brothers

OPERATIONS of Duncan Bros have shown better results during the year 1963 following a rise in sales turnover from Rs 3.41 crores to Rs 4.87 crores. Pre-tax profit after providing for depreciation stood higher at Rs 43.16 lakhs as against Rs 35.59 lakhs. This has enabled the Company to disburse a larger amount, namely Rs 15.60 lakhs as against Rs 14.94 lakhs, by way of dividends. On account of the increased capital, the dividend on ordinary shares is, however, *reduced from 14 per cent to 12 per* cent.

ound Bombay Markets

Dalal Street Moves Ahead

Thursday, Morning

ALAL STREET pushed its way further up last week. The pross was slow and halting but this s not quite unexpected in view of preceding week's sharp advance. the current recovery the market regained nearly 45 per cent of ground lost since the February dget. More significant than the slow e of recovery noticed last week s the manner in which corrective fit-taking and occasional bear prese were easily absorbed. Gains, ugh small, were widespread and steady revival of inquiries in cash res held out the promise that the ent recovery might mark the be ning of a new important upward ve. There has come about a visible inge in market psychology and the r distant prospects are being view- more optimistically than before.

Apart from the growing belief that Government is now anxious to tore confidence in the investment rket, sentiment has been helped by strength in the cotton piecegoods rket, expectations of a higher divid by Tata Steel and hopes that problem of soaring foodgrain ces would be tackled more effecly than before. Market's expectas in respect of relaxation of mar- rules have been realised only parly. Though the two per cent carryr margin payable by clients stays, relief that has been given to the ckbrokers is not inconsiderable and should enable them handle a much ger volume of business without havto lock up large funds. The relief ates to margins payable on the ly outstanding purchases and sales each security, additional margin on regate business at the end of the lement and the scale of automatic rim margins.

he Unit Trust has started the sale its units and the initial response reported to be fairly encouraging. basic idea of the Unit Trust is offer a medium to acquire a share the widening prosperity based on ady industrial growth in the coun- which combined the advantage of minimum risk and a reasonable ren. That the Unit Trust has added new dimension to the concept of ustrial investment in the coun- will be readily conceded. The prospective investor could rely on the Trust for managing its investment portfolio well but the success of the Unit Trust scheme will depend essentially on the general investment and economic climate in the country over which the Trust can have little control. The success of the scheme hinges on the state of the capital market.

Oilseeds

Prices Soar

THE oilseeds market continues to make news. Groundnut, groundnut oil, groundnut expeller and extraction and linseed established new all-time highs last week. The rise in groundnut, oil and oilcake has indeed been spectacular. Within a fortnight, groundnut ready Karad Bold has shot up from Rs 58 to Rs 63 (per 50 kgs), groundnut oil from Rs 22.70 to Rs 25 (per 10 kgs), groundnut expeller from Rs 467 to Rs 509 (per tonne) and groundnut extraction from Rs 400 to Rs 430. During the same period linseed ready has risen from Rs 45 to Rs 47.50, linseed oil from Rs 18.30 to Rs 20, castorseed from Rs 34.75 to Rs 36 and castor oil Commercial from Rs 13.75 to Rs 15.25. Prices have shot up despite re ports of timely rain in most of the groundnut producing areas.

The rise in oilseeds prices reflects the growing imbalance between supply and demand, arising from a virtually static production and growing demand. Strange as it might seem, oilseeds production is still lagging behind the Second Plan target of 76 lakh tons. How the production can be stepped up to achieve the Third Plan target of 98 lakh tons is hard to imagine; and this target is far from being ambitious even when viewed in the light of the country's minimum requirements. Ths supply-demand equa tion this season has been disturbed by a smaller rapeseed harvest and substantially larger exports of groundnut oil effected at an enormous sacrifice. Groundnut oil exports this season—October 1963 to September 1964—are expected to exceed 80,000 tons. Apart from the steady deterioration in the supply position because of larger exports and increased domestic off-take, the recent excitement in the oilseeds market is attributable partly to the steep rise in groundnut oil abroad caused mainly by enormous purchases of groundnut and groundnut oil by Burma from Nigeria. In about a month's time, the quotation for groundnut oil in the U K market has shot up from £98 to £120 per ton.

Locally, groundnut oil has continued to have keen demand from vanaspati manufacturers, both for their own consumption and for exports. Decontrol of vanaspati prices has imparted great strength to the groundnut market. Groundnut and groundnut oil prices cannot be expected to develop an easier tendency when vanaspati manufacturers are able to market their finished product at rising prices. Other oilseeds have simply been following the trend in groundnut.

With linseed futures quoted almost at the ceiling, speculative activity is naturally confined to castor; futures trading in groundnut, groundnut oil and expellers has been banned for some time. Castor futures have been displaying a firm tendency in sym pathy with the firmness in other oilseeds. Considering the prevailing high prices of groundnut and linseed, castorseed futures Rs 181 look quite cheap. In the past, there have been occasions when castorseed have been quoted higher than linseed and groundnut. In the circumstances, the concern expressed by the market authorities and the Forward Markets Commission over castor prices is difficult to appreciate. The decision of the Bombay Oilseeds and Oils Exchange to reduce the ceiling for hedge trading in castorseed from Rs 186 to Rs 181.50 is partial and is intended only to favour the bears. It is unfortunate that the Commission should have approved of such a decision. While there is perhaps very little to be said in favour of continuing forward trading in commodities, arbitrary inference in the normal working of the market as in the case of castor futures is bound to undermine the prestige of the authorities entrusted with the task of ensuring a good code of conduct.

Fairly large export business is reported to have been put through in groundnut extractions recently. East Germany has been mentioned as an important buyer. The U K is stated to

have been a buyer of extraction at around £38 15—the highest price for a long time. Some business was also reported in groundnut oil. Business in castor oil consisted of a few odd lots sold to the U K now and then but they did not add up to much. Cottonseed cake continued to evoke moderate inquiry whereas linseed cake was neglected.

Cotton

Steadier but Irregular

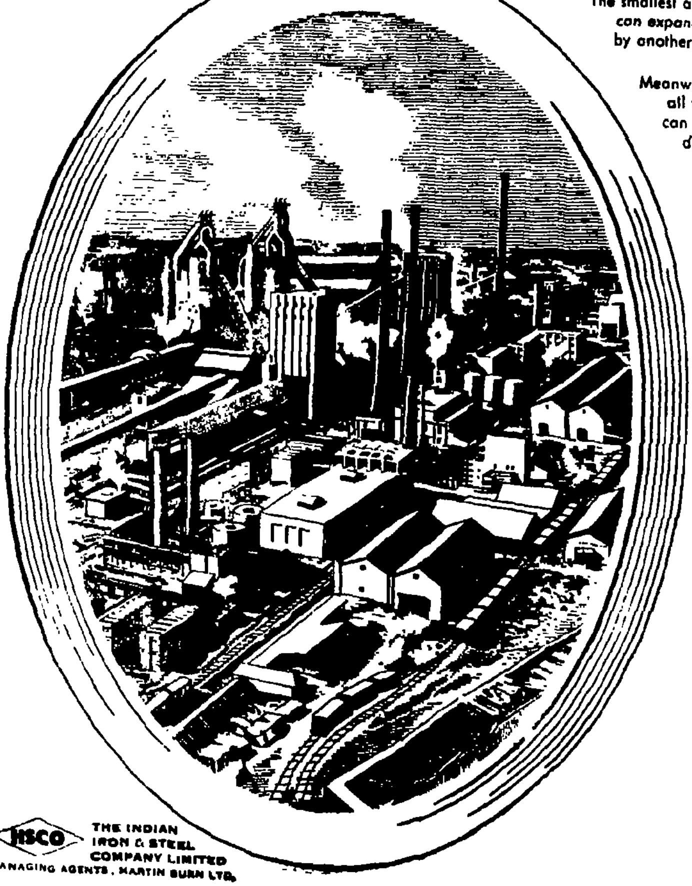
COTTON futures continue to move up and down in an irregular fashion. The general tendency so far has been distinctly steady but the near term outlook has become uncertain as the market sentiment is likely to be guided by the weather which is unpredictable. The August contract, last week, was bid up to a new high of Rs 742.75 but later it drifted lower to Rs 737.50 and at its Wednesday's closing of Rs 739 it showed a net gain of Rs 3 over the week. Speculators seem reluctant to take big risks in face of the weather uncertainty; activity in futures has therefore shrunk considerably. Apart

BURNPUR —A PORTRAIT IN STEEL

A busy steeltown. Alive to the problems of the day, prepared for the challenge of tomorrow. Thousands live and work here day and night. All of them think in terms of steel—and more steel, for India.

Yet less than ten years ago, the rated annual capacity at Burnpur was about half a million tons of crude steel and a similar quantity of pig iron. A two-step expansion programme has since raised annual production at the integrated steelworks to 1 million tons of crude steel and 1 3 million tons of pig iron. The smallest additional capital cost can expand production further, by another million tons of steel if need be.

Meanwhile, IISCO steel—in all the shapes that steel can take—serves India's developing economy.



IISCO FACES THE FUTURE WITH CONFIDENCE

IISCO THE INDIAN IRON & STEEL COMPANY LIMITED
MANAGING AGENTS, MARTIN BURN LTD.

from favourable weather reports from most of the cotton growing areas, sentiment near the week-end was affected by the setback in cloth and yarn production during May because of the larger number of holidays. Cloth output in May is provisionally placed at 383 million yards against 429 million yards in the preceding month and 411 million yards in May 1963. Yarn production at 159 million lbs is 17 million lbs less than in April and 5 million lbs less than in May 1963. June figures also are unlikely to make an impressive showing because of the power cut in the South.

The spot market has turned inactive as mills are inclined to hold off the market in expectation of lower prices under the influence of favourable weather. Despite reduced turnover, spot cotton prices have so far maintained a distinctly steady trend. Quite a few varieties are quoted almost around the ceiling rates. Cotton prices could ease if the weather continues to oblige but prospects of any big fall in prices are generally discounted as consumption is likely to register an appreciable increase with the expansion of the spindleage capacity. The trend in cotton prices will also be influenced by Government policy in respect of cloth prices. Exporters reported a revival of overseas demand for Bengal Deshi and prospects of fresh large business with Japan and the U S were considered promising. Shipments of cotton up to June 20 are placed at 2.08 lakh bales against 2.57 lakh bales in the corresponding period of last season.

With the current season drawing to a close, considerable interest centres on futures trading in the new crop contracts. A section of the trade has again raised its voice against the structure of the existing hedge contract. A move is afoot to seek modifications which would make the hedge contract more realistic and bring about a closer relationship between the futures market and ready market. The basis of the present hedge contract is M G Moglai Jarilla fine stapling 25/32 inch. Since the total growth of this variety is no more than 2 lakh bales, it is unwise to have this variety as the basis of the hedge contract. It is amazing that repeated attempts to place the hedge contract on a sound footing should have failed to yield any results. If the Forward Markets Commission and the associations responsible for conducting futures trading are honest about promoting the cause of the cotton trade and the facility of hedge trading is not intended mainly for speculators, it is very necessary that the basis the hedge contract should be suitably revised. This will not only help bring about a closer relationship between the spot and futures markets, which is essential if hedge trading is to make sense, but also lead to greater awareness of the need to improve and preserve quality standards.

Money Market

Thursday morning:

THE short term money market was comparatively comfortable during the past week. The inter-bank call rate did not step below 2.25 per cent, but this may be due to the demand stemming from the half-yearly closing which must have had some sustaining influence. That the return flow of funds has now picked up is evident from a sizeable contraction of bank credit which fell by Rs 23.55 crores during the week ended June 19. The decline in bank credit in the slack season started from the week ended May 8 and the total contraction till June 19 aggregated Rs 70.43 crores as against an expansion of Rs 388 crores between October last and May 18 this year.

Bank deposits swelled by Rs 17.76 crores during the week ended June 19. This was the highest for any week during the season. Accretion to deposits between May 8 and June 19 amounted to Rs 48.40 crores. The credit deposit ratio has thereby declined from 77.21 per cent to 75.63 per cent.

Due to the rising inflow of funds, schedule banks were enabled to bring down their borrowings from the Reserve Bank to a mere Rs 1.14 crores on June 26, while their investments in government securities during the week ended June 19 were higher by Rs 13.60 crores. This was the first week after the commencement of the slack season when addition to investments was sizable.

Tenders for Treasury Bills on June 29 exceeded those in the previous week and aggregated Rs 4.50 crores, bringing down the discount rate fractionally from 2.995 per cent to 2.994 per cent. Still this rate is higher than the present inter-bank call money rate and accounts for a diversion of funds in this direction. Sales of Intermediates between June 24 and June 27 were also substantial drawing away Rs 7.60 crores. This amount is, however, lower than the previous week's figure of Rs 13.32 crores.

Against the background, the prevailing easiness in the money market, in spite of the half-yearly closing on June 30, is not surprising and, if anything, the rate is sustained on account of larger absorption of funds by Treasury Bills and government securities. It is, therefore, not unlikely that with a further rise in the return flow of funds call money rate will sink further.

It is significant that the Reserve Bank has suspended its open market operations from June 29. The Bank is reported to have stopped sales of 4.75 p c 1989 and 4 p c 1970 loans and purchases of 3.5 p c 1965 and 3.5 p c 1966 loans. This suspension will leave the market undisturbed as regards the overall supply of funds. The additional inflow of funds will make the money market still easier and prepare it to absorb the new loan issues of the Government which are expected shortly.

The Reserve Bank's Statement as on June 26, reveals a sharp contraction in active notes by Rs 33.15 crores. This is in continuation of a shrinkage of Rs 36.71 crores in the previous week and reflects a considerable fall in the demand for funds. Of the week's contraction, the Banking Department has absorbed Rs 25.55 crores and so the actual note issue was less by Rs 7.61 crores. Along with this, rupee coins amounting to Rs 2.56 crores have gone back to the Issue Department with the result that the total inflow of currency and coins into the Issue Department amounted to Rs 10.17 crores. Against this, there is an outflow of foreign securities amounting to Rs 4 crores and of Rupee securities of the value of Rs 6.16 crores. Balances held abroad have declined by Rs 24 lakhs. The total foreign assets are down by Rs 4.24 crores at Rs 96.61 crores as against Rs 100.85 crores in the previous week.

The Central Government's deposits have continued to move up. The rise during the week amounted to Rs 14.31 crores and almost an equal rise was there in the previous week. State Governments' deposits, however, have continued to recede, the fall during the week amounting to Rs 79 lakhs (Rs 2.55 crores in the previous week). Loans to governments have gone up by Rs 3.64 crores.

Scheduled banks' deposits are up by Rs 8.46 crores while their borrowings are reduced by Rs 2.89 crores, leaving a balance of only Rs 1.14 cores. This largely reflects the prevailing comfortable resources position of the scheduled banks.

CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(1952-53=100)

Group & Sub-Group	Financial year average		MONTHLY AVERAGES												
	1962-63	1963-64	March 1963	April 1963	May 1963	June 1963	July 1963	Aug 1963	Sep 1963	Oct 1963	Nov 1963	Dec 1963	Jan 1964	Feb 1964	March 1964
FOOD ARTICLES	*126.1*	*136.8*	*123.4*	*127.7*	*131.5*	*134.8*	*137.9*	*138.6*	*139.1*	*139.2*	*136.6*	*136.2*	*137.9*	*140.5*	*142.1*
Cereals	105.6	116.3	102.0	106.7	109.9	112.1	115.0	115.3	117.3	118.7	118.5	117.4	118.4	122.1	123.6
Pulses	105.2	115.4	99.9	102.6	106.2	108.5	109.7	108.0	111.0	113.5	116.2	121.7	124.0	129.1	133.9
Fruits & Vegetables	135.6	140.6	133.4	140.3	140.9	139.3	141.3	143.3	119.6	119.5	137.2	138.9	147.6	156.6	162.9
Milk & Ghee	124.4	128.2	124.8	126.6	127.2	130.9	132.1	130.2	126.3	129.1	124.1	123.5	126.6	128.4	133.0
Edible Oils	152.3	151.1	141.8	143.3	147.3	150.9	151.6	152.0	154.1	152.3	149.1	147.5	149.8	154.7	160.0
Fish, Eggs & Meat	143.6	149.8	137.5	137.9	144.9	147.1	148.5	152.5	152.1	147.1	151.3	154.3	155.8	153.7	152.7
Sugar & Gur	145.0	188.8	147.5	163.9	173.8	187.9	193.8	205.1	218.8	215.1	187.7	185.7	183.0	178.3	173.0
Others	171.8	179.3	172.9	172.6	178.8	178.9	188.2	184.8	182.4	178.4	177.9	176.1	178.1	179.6	175.7
LIQUOR & TOBACCO	*100.9*	*119.6*	*114.2*	*117.7*	*118.4*	*119.2*	*118.8*	*119.1*	*118.5*	*119.6*	*118.5*	*121.6*	*122.7*	*122.3*	*119.0*
Tobacco	97.4	116.8	111.6	114.7	115.4	115.3	115.9	116.1	115.6	116.8	115.6	118.8	120.1	119.6	116.1
FUEL, POWER, LIGHT & LUBRICANTS	*124.4*	*139.5*	*135.7*	*138.5*	*139.1*	*139.9*	*138.7*	*139.0*	*139.1*	*139.1*	*139.5*	*139.9*	*139.5*	*140.1*	*141.7*
INDUSTRIAL RAW MATERIALS	*136.5*	*139.5*	*135.2*	*136.2*	*137.4*	*138.7*	*138.5*	*138.8*	*141.2*	*138.1*	*137.0*	*138.9*	*141.1*	*143.5*	*144.9*
Fibres	128.8	133.2	133.5	133.6	134.5	133.6	130.2	131.8	132.6	131.2	131.9	133.3	134.7	135.6	135.7
Oilseeds	151.4	154.1	143.0	145.5	148.3	152.6	155.7	154.8	161.1	154.9	148.5	152.0	153.6	158.9	162.9
Minerals	93.6	92.8	93.4	93.4	93.4	93.4	93.4	92.6	91.5	91.6	91.6	91.5	91.6	91.5	98.1
Others	125.8	127.3	126.6	126.6	125.4	125.2	125.2	125.2	123.2	122.8	128.2	128.1	133.1	132.7	131.5
MANUFACTURES	*128.8*	*131.1*	*129.6*	*129.9*	*130.7*	*130.5*	*130.6*	*130.9*	*131.2*	*131.1*	*130.8*	*130.9*	*131.7*	*131.9*	*132.8*
INTERMEDIATE PRODUCTS	*139.5*	*139.6*	*136.2*	*137.8*	*138.6*	*139.0*	*140.1*	*139.0*	*139.4*	*138.8*	*138.2*	*138.8*	*140.2*	*141.3*	*144.7*
FINISHED PRODUCTS	*127.1*	*129.7*	*128.5*	*128.6*	*129.4*	*129.1*	*129.1*	*129.5*	*129.8*	*129.8*	*129.6*	*129.6*	*130.4*	*130.4*	*130.8*
Textiles	126.1	127.7	127.0	127.0	127.7	127.2	126.5	127.7	128.0	127.8	127.5	127.5	128.5	128.4	128.6
Cotton	130.7	135.6	134.4	134.4	135.0	135.3	135.2	135.3	135.7	135.7	135.7	135.7	135.9	135.9	136.7
Jute	110.9	100.2	102.1	99.6	102.7	101.3	97.9	101.1	101.4	101.4	99.7	98.0	100.4	99.9	98.7
Woollen	140.4	155.3	142.4	142.7	142.7	142.7	156.6	156.6	156.6	157.5	160.2	160.2	162.4	162.4	162.4
Silk & Rayon	131.8	139.8	139.2	140.5	140.2	136.9	136.3	138.8	138.9	137.3	137.8	139.9	143.5	143.7	143.2
Metal Products	160.1	163.1	161.0	161.2	161.2	161.5	163.0	163.7	163.7	163.7	163.7	163.0	163.0	163.0	166.1
Chemicals	115.5	117.9	117.3	117.5	117.4	117.2	117.2	117.4	117.1	117.5	117.6	117.9	118.7	119.2	120.2
Oilcakes	160.9	165.7	157.8	159.7	164.8	166.5	169.8	163.3	165.1	164.4	164.4	165.4	165.1	167.8	172.5
Machinery & Transport Equipment	117.9	124.2	122.2	122.2	122.8	123.2	123.2	123.9	124.0	124.2	124.3	124.5	125.5	125.5	125.6
Others	125.3	128.2	127.2	127.3	127.9	128.1	128.4	128.5	128.6	128.8	128.6	128.1	128.0	127.8	127.8
[illegible]	127.0	*135.3*	[illegible]	*129.8*	*132.1*	*134.0*	*135.5*	*136.0*	*136.7*	*136.3*	*134.7*	*134.9*	*136.3*	*138.1*	*139.3*

BANKING RETURNS

(Rs crores)

Reserve Bank	June 26	June 19	May 29	June 28, '63
1 Note circulation	2484.12	2517.28	2526.52	2259.50
2 Rupee coin	102.81	100.25	110.28	115.32
3 Deposits				
(a) Central Govt	79.71	65.40	53.57	65.07
(b) Other Govts	14.05	14.84	17.00	14.49
(c) Banks	97.67	89.21	88.47	101.59
(d) Others	166.69	162.06	161.54	156.49
4 Foreign securities	89.46	93.46	103.46	99.83
5 Balance abroad	7.15	7.39	12.16	6.51
6 Rupee securities	2226.04	2232.20	2242.27	1966.70
7 Investments	273.90	284.02	239.29	272.80
8 Loans and advances to Govts	81.65	78.00	85.89	58.11
9 Other loans and advances	148.10	136.63	159.12	141.67

Scheduled Banks	June 19	June 12	May 22	June 21, '63
1 Aggregate deposits (net)	2360.63	2342.88	2326.75	2123.78
Demand (net)	1084.42	1077.16	1065.34	893.74
Time (net)	1276.22	1265.72	1261.40	1230.04
2 Cash in hand	63.81	64.47	62.11	53.67
3 Balance with Reserve Bank	85.06	86.11	83.28	86.01
4 (2)+(3) as % of (1)	6.31	6.43	6.25	6.58
5 Borrowing from Reserve Bank	4.58	18.27	48.44	1.30
(a) Against usance bills and/or promissory notes	2.63	5.53	7.74	0.46
(b) Others	1.96	12.84	40.71	0.84
6 Advances	1541.75	1542.14	1556.88	1302.12
(a) State Bank	338.22	343.34	347.85	262.25
(b) Others	1203.53	1198.80	1209.03	1039.87
7 Bills discounted				
(a) Inland	179.90	198.96	212.97	170.29
(b) Foreign	63.73	67.84	68.02	51.03
(c) Total	243.63	266.80	280.99	221.32
(i) State Bank	21.15	23.20	23.92	17.06
(ii) Others	222.48	243.60	257.07	204.26
8 (6)+(7) as % of (1)	75.63	77.21	78.99	71.73
9 Investment in Govt Securities	633.46	619.86	620.58	642.83
10 (9) as % of (1)	26.83	26.46	26.67	30.27

Bombay Money Rates

(Per Cent per Annum)

	June 19	June 12	May 22	June 21, '63
Call money from Banks	3.75	4.30	5.93	2.99
Deposits				
Seven days	—	3.00	3.00	3.00
Three months	—	3.50	—	3.50
Six months	3.75	3.75	3.75	3.75

United Kingdom Balance of Payments

(in £ Million)

CURRENT ACCOUNT	1961	1962	1963
Imports (f.o.b.)	4,013	4,059	4,318
Exports and re-exports	3,883	3,991	4,274
Visible balance	*—130*	*—68*	*—44*
Government (net)	—336	—367	—381
Other invisibles (net)	+456	+537	+546
Current balance	*—10*	*+102*	*+121*
LONG-TERM CAPITAL ACCOUNT			
Official capital transactions	—45	—105	—105
Private investment			
Abroad (net)	—327	—259	—330
In the U K (net)	+416	+275	+288
Balance of long-term capital	*+44*	*—89*	*—147*
BALANCE OF CURRENT AND LONG-TERM CAPITAL TRANSACTIONS	+34	+13	—26
Balancing item	—14	+86	—129
MONETARY MOVEMENTS			
External sterling liabilities (net)	+72	—398	+152
Gold convertible currency reserves	—31	+183	+53
Other (including miscellaneous capital)	—61	+116	—50
Balance of monetary movements	*—20*	*—99*	*+155*

Source: *Bank of England Quarterly Bulletin*, June 1964.

Joint Stock Companies

New Registrations and Liquidations

	March '64	Feb. '64	Mar '63	1963
Incorporated and Registered				
No of Companies	120	83	129	104
Authorised Capital†	39,26	12,49	21.34	17,17
Ceased to Work				
No of Companies	—	46	48	63
Paid-up Capital†	--	32	25	58
Over-all variation in Paid-up Capital of all Companies	—	+13,37	+89	+15,31

† Capital in Rs lakhs

Source: Ministry of Finance.

Production of Petroleum Products

(000 Metric tons)

	Dec '63	Nov '63	Dec '62	1963 (Average)
Crude Petroleum	199.4	138.0	97.9	137.4
Petroleum Products				
Light Distillates	113.5	132.0	122.1	116.6
Kerosenes	128.9	121.6	130.0	119.5
Diesels	199.3	162.3	181.4	166.0
Lubricants	4.3	2.2	2.9	3.0
Bitumens	42.7	31.9	28.8	31.2
Heavy Ends	209.2	177.9	183.1	191.9
Others	12.2	10.6	10.2	9.4
Total of Petroleum products	710.2	638.4	632.4	637.5

Source: Ministry of Mines and Fuel, Government of India.

Employment Exchanges

	March '64	Feb '63	Mar '63	1963
No of Exchanges	356	356	349	353
No of Registrations	321.2	250.3	320.9	345.9*
Applicants on Live Register	2452.0	2464.2	2483.0	2518.5†
No of Vacancies notified	75.8	70.4	75.9	75.7*
Total Placements	45.1	40.7	41.1	45.4*

Note: All figures except no of exchanges are in thousands.

* Monthly Average.

† Year-end Figure.

Source: Ministry of Labour and Employment.

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Menace of Prices

LACK of correspondence, or conflict—shall we say?—between monetary and fiscal policies, and the clash between the central bank and the treasury, dramatised at times by a clash of personalities, has been a familiar theme in the monetary lore of many countries. This has sometimes led to much of the unnecessary speculation here, too, about the respective roles of the two. Montagu Norman, the prima donna among them all, had sought to lay this ghost once for all when he expressed his surprise before the Macmillan Committee that the question should ever arise of nationalising the Bank of England. Had there been any occasion, he had asked, when the Treasury had dropped the slightest hint and its wishes had not been carried out by the Bank? But the ghost was not laid. It still haunts. A previous Governor of the Reserve Bank seems to have been caught by it and had made bold to protest that what could monetary restrictions do, however tight he made them, if the Finance Minister did not exercise fiscal restraint. The then Finance Minister naturally resented, and the resentment, though expressed only *sotto voce*, was like a stage whisper. It was heard. The situation was awkward. It could have been worse. But good sense prevailed and in the end all was well.

No Finance Minister of a government which holds itself responsible for maintaining economic expansion and growth can possibly leave monetary policy in other hands, even in those of the central bank. On the present occasion, proprieties have been observed and the gesture has come from the Finance Minister who has announced token cuts in budgetary expenditure in order to counter the inflationary pressures which are now becoming menacing.

There is, however, no unique explanation of the present situation. Many factors have been at work. To what extent food shortage is real is itself not certain. The part played by food in the inflationary spiral is no longer as certain as it had been taken to be in similar or comparable situations in the recent past. At least less is being heard of this year's bumper rice crop going into the pipelines to replenish stocks depleted earlier when the crop had been so poor. The theory that, in the Indian economy, food supply is the determining factor and that food shortage induces inflation or reinforces the latent inflationary pressures inherent in a developing economy, is no longer being paraded with the same assurance.

The impact of defence spending may not be visible in the slack market arrivals of rice in this year of a bumper crop, or in the disappearance of mustard oil from the Calcutta market or in the simultaneous and heady rise of the prices of all the necessities of life of the urban population. But it is not only visible and very real, in fact it hits the eye, in areas like the frontier districts of Assam where defence spending comes out in the open. Most of defence production and other defence expenditure does not so directly involve civilian life. No sphere of economic activity, however, can escape its influence for long, for it is pervasive everywhere though not perhaps conspicuous as in Assam. That defence spending has been getting into stride, there is no mistake about it. True, this year's defence budget is not as big but the rate of spending appears to have been definitely speeded up, and so when the revised figures come out at the end of the financial year, last year's shortfall may not be repeated.

But if defence spending is not visible, neither are the food stocks. It

is not public investments in development which are the villain of the piece. They contribute too, but only to the extent that the investments turn out to be less productive than expected because of inefficiency in execution and the well known deficiencies in their administration. It seems to be clear enough that what has been raising prices primarily are not the long term investments but the short term investments in stocks of goods, of which foodgrains are the leading species of a large genus. Investment of a sort in another direction is perhaps as potent an inflationary factor, though the first round of it is confined to the limited sphere of urban property and real estate.

The Finance Minister has announced a token cut in the budgetary allocations, having added a capital gains tax at a nea -expropriatory level on urban proper y o his last budget. Thus, money income having been taken care of, he must have now left it to the Governor of the Reserve Bank to apply the monetary measures for bringing on disinflation. That seems to be the idea. But what a travesty it is of what is really needed. Divert more money into the dark alleys and hidden by-ways by a capital gains tax which no real estate speculator will pay, so that the Governor of the Reserve Bank may say with righteous indignation as he tightens the credit screws that if foodgrains are being hoarded, it is not with bank credit and that it is the unaccounted money which is to be blamed. Whether accounted for or not, that the currency notes which raise prices also bear his signature, is not very relevant for unravelling the causes of the present inflationary situation. What is relevant are the other factors.

There is really not much to be done from the money end, since there is a Plan and adequate credit provision to finance the development that has been planned is essential and cannot be touched. The fiscal measures which can bring inflation under control must grasp the nettle firmly and pull it out by the roots. Even if such measures are taken, no economy that is development-oriented can hope to survive without an adequate and effective control over the distribution of food. On this question it would be fatal to compromise, for no compromise is possible.

Messiah from Arizona

ON Monday, the Republican Convention meets in San Francisco to consider its programme for November's Presidential election; on Thursday, it will begin balloting to select the Republican candidate for the Presidency. Since the entry of Scranton into the stakes, the virtual retirement from the contest of Rockefeller, and the return of Lodge from Saigon to support Scranton, Goldwater has suffered no serious setback. At the last count, a survey of the delegates suggested that fully 710 delegates support Goldwater (some 273 of these votes are 'favourable' but not fully pledged), 146 are for Scranton, 105 Rockefeller, 45 Lodge, 15 Margaret Chase Smith, 3 Nixon, 98 'favourite sons' and 186 uncommitted. To win on the first ballot, Goldwater needs only 655 votes which, on present estimates, it looks as though he has.

Unfortunately, in the world of political mythologies, everyone loves a Goldwater for he can be hated with such uncomplicated passion by all who like to be known as 'progressive': and intellectuals can enumerate the flaws in the Senator from the arid zone. The total inadequacy of this game, however, should not be missed. Goldwater betrays no intellectual failings greater than those of past Presidents of the United States, and, indeed, his book could arguably be considered more distinguished in intellectual terms than that of President Kennedy. The Senator's intelligence, like his gaffs, greeted round the world with such pleasure or wildly inflated alarmism, are irrelevant. Only ostriches would find comfort in this sleight of hand — like the Wallace campaign, the Senator cannot be wished away, for he represents something deep and strong in American society; and in foreign policy in particular, he does little more than carry to its logical conclusion, with vigour and courage, the lines of policy developed by past and present Administrations : what manner of gross hypocrisy is it to find it somehow superior to slaughter Vietnamese peasants through a slow process of agonising attrition rather than dropping low yield atomic bombs on them? Goldwater is not foolish; he is, in terms of most interests other than those of American nationalism, wrong, but wrong only a little more than those who at present guide American policy.

But being wrong, he can also serve a useful purpose. No one, except those with a vested interest in the present American political *status quo*, can be particularly concerned at the possible destruction of the Republicans in November—that is, if they are destroyed, an estimate crucially depending on one's view of how far Goldwater really does represent something substantial in American society. But in the process of annhilation, at least Goldwater will avoid the soggy sag of political platitudes that obscures most important issues in American politics. Senator Dirksen wants the Civil Rights issue to be non-partisan; Cabot Lodge feels the same about South Viet Nam, and yet these are the two crucial issues in American politics at the moment.

But Goldwater will not be non-partisan; like the brave and splendid youth at this very moment battling to establish the equality of the negro in Alabama, Mississippi, Florida, Maryland, Washington, Texas, Virginia, and, most important, New York City, he is a man of principle. Too often the important issues of politics are smudged into the verbiage of politicking, which always means that possible improvement is diluted or postponed. Let Goldwater fight his fight, and let all those who believe in the absolute right of the white man, in the God-given rectitude of American nationalism, in the fundamental right of the poor to die in hunger and misery, let them stand up and be named, and then let the battle be fought out in the open.

The so-called 'two party system' in America and Britian has been for too long a euphemism for an ideological one party system with two factions, divided by little more than the accident of personal recruitment. Such a system, as the political theorists are always stressing, is the secret of stability, a cosy preservation of the *status quo* in which politics and change can be safely forgotten. Those who deplore the system as a fraud, the negroes, the unemployed, the destitute, can easily be dismissed as Communists. But Goldwater is refusing to accept the rules of the game—he is saying openly what many Americans feel, and he has won support because he is doing so. It is all to the good—when the target is clear, close aim can be taken. From the struggle of the just, something strong can be built. But you cannot build in a *blanc mange*.

331.30

Cloth: Partial Control

THE Government is compelled to appear to be seriously concerned about the price of cloth, it being an article of common consumption. The voluntary regulation of cloth prices by the Indian Cotton Mills' Federation initiated in 1960 stood the Government in good stead for almost four years—until recently, when the textile mills openly repudiated the scheme. It was, of course, common knowledge that the scheme had ceased to be effective long ago. The mills circumvented the price control first by introducing new varieties for which no prices were initially fixed: subsequently, even the formality of getting the stamped prices approved by the regional committees set up for the purpose was dispensed with. And, finally, last month some of the major textile mills openly marked up their prices without so much as a by-your-leave.

So the task of finding a substitute for the ICMF's voluntary control cannot now be put off any longer, if the pretence of trying to control the prices of essential commodities is to be kept up. This time the Cotton Textile Consultative Board has come to the Government's rescue. It has recommended that statutory control should be imposed on the production and prices of "popular varieties" of cloth. Such control would cover upto 40 per cent of total deliveries for civil consumption (i e, excluding deliveries for export and defence consumption). As a result, it is expected, a "reasonable proportion of cloth requirements of common use for the vast majority of the people may become available at controlled prices". The remaining varieties will not be subject to price or production control and may be sold by the mills at any prices fixed by them.

The system of price stamping will, however, continue even for the decontrolled varieties. The mills will be required to stamp ex-mill as well as retail prices—the retail margin, presumably, being the same as was fixed when the voluntary control scheme was introduced, viz, 18 per cent. The proposal to retain price stamping will no doubt be welcomed. Even under the voluntary price control scheme, while mills evaded control by changing varieties and stamping prices of their own choice, retail prices on the whole did conform to the stamped prices which proved to be an effective restraint on retailers.

On the face of it, the idea of controlling prices of cloth consumed by the low-income groups while freeing the rest of the mills' production from the existing paper control is unexceptionable. But there are practical difficulties which the scheme will run into. There is, first, the problem of identifying the varieties which are to be controlled. Judging by the mills' concern that the Government should guarantee the off-take of these varieties, it would appear that the industry is thinking in terms of control on varieties which are not easily saleable. Then there is the problem of the distribution of the controlled part of total output among the different mills A large number of mills specialise in the production of certain varieties and any scheme which controls their prices but not those of other varieties is bound to encounter resistance.

Finally, there is the question of the administrative machinery to implement the scheme. A system of partial control with elaborate quotas for different mills will necessarily leave enough scope for evasion. The existing official machinery has proved to be completely helpless against mills which evaded the ICMF's voluntary control. It need not be presumed that its effectiveness will increase miraculously merely because the scheme of control which is now proposed will be written into the statute books.



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Weekly Notes

Ikeda's Hurdle

OVER this weekend, the ruling party of Japan, the Liberal Democrats, will be meeting to select the President of the party, an office which at the moment carries with it the additional function of being Prime Minister of Japan. The Liberal Democrats are a loose federation of factions that dovetail into different segments of Japanese business. There are nine main groupings at the moment -three 'divisions', three 'brigades' and three 'regiments', descending in order of the size of their representation in the Lower House of the Japanese Diet. The three dominant divisions are led by Prime Minister Hayato Ikeda, by his ally, Minister of Construction, Ichiro Kono, and by the Minister of Science, Eisaku Sato, with roughly 46 seats each. The three brigades consist of the 37 seats commanded by the Chairman of the Party's Political Research Committee, Takeo Miki, 30 seats of the former Vice-President of the Party, Bamboku Ohno, and the 22 seats of Aiichiro Fujiyama, Chairman of the Party's Executive Board. In the last election, Kono's faction made substantial advances, but this has not enhanced the stability of the Party greatly - bitter inter-factional fighting has intensified as the Party approaches the biennial Presidential elections.

At the present moment, it seems likely that Ikeda, backed by Kono's seats (making a total of 93 seats) will win his third two-year term of office, during which, it is said, he will foster Kono's position to succeed him. Other possible contestants include Sato and Fujiyama, and if nobody wins the first ballot conclusively, it is possible a Sato-Fujiyama bid will be made to break Ikeda: and if they do, whichever faction succeeds to the Cabinet could make quite substantial changes in Japanese policy. Sato's faction is rated as much more anti-Chinese and pro-American than Ikeda's, so that the present nudging advances made by Japan towards establishing some *modus vivendi* with China might be seriously hampered by a Sato victory.

Just prior to this election, the long-awaited report of the Constitutional Study Council will have been submitted to both the Cabinet and the Diet. Set up eight years ago in order to suggest a revision of the Constitution which would take away some of its odium as a document foisted on the Japanese by the victorious Americans. It was boycotted by the Socialist opposition which maintains that any possible revision is likely to be dangerous. Thus all but a handful of the 39 members of the Council are known to favour revision, in particular of Article 1 defining the status of the Emperor, and Article IX prohibiting the building of war potential and the armed forces. Many Japanese have argued that both the Emperor and the 'self-defence forces' should be given greater prestige, and early rumours about the report suggest that it recommends both that the Emperor should become Head of State in foreign relations and that a major clarification of the 'right to self-defence' be made. All this looks dangerously like a victory for the Right, and if the Government presses on to organise the constitutionally stipulated referendum on these recommendations (along with a two-thirds majority in favour in both houses of the Diet), serious opposition from the Left can be expected, probably along the lines of the agitation against the United States-Japan Security Treaty which brought down the Kishi Cabinet.

That opposition might be the stronger with the present economic difficulties which have checked the rate of growth and made Ikeda's promise to double the standard of living in ten years that much less likely. The credit squeeze, culminating in the end of the Government's cheap money policy by raising the Bank rate in March, has not so far drastically closed the balance of payments gap, estimated this year at 400 million dollars. But where the credit squeeze does bite hard is in intensified competition within the economy, exacerbated by the recent freeing of many imported commodities. The peasant will feel the pressure of American agricultural imports, and small industry the rivalry of foreign consumer goods. None of which will stimulate great confidence either in Ikeda or his pro-Western policy. But he is a shrewd tactician—he had to be, as a recruit into politics from the bureaucracy pitted against the powerful party bosses — and the gains in popularity on the Right by a revision of the Constitution may well strike him as substantially less than the losses on the Left, particularly if the Socialists succeeded in focusing the wide-ranging discontent. Perphas the course of the voting and the speeches this weekend will indicate some of the straws in the wind.

Preferential Preferences?

THE 80,000-word 'Final Act' of the U N Conference on Trade and Development was released in Geneva on Friday last. The Act, which has been signed by all the countries which attended the Conference, is necessarily couched in general terms, with the emphasis on trade problems of the developing countries rather than on specific measures for their solution.

The achievement, or the lack of it, of the U N Conference in terms of proposals for solving the trade problems of the developing countries has received wide attention. It has also been accepted, whether with gratification or pique, that the outstanding result of the Conference was the unity forged among the 75 (now 77) developing countries. This unity, while it failed to extract concessions from the developed countries, did make it impossible for them to stop with vague expressions of goodwill and forced them to make clear their attitude to specific proposals.

It need hardly be said that if the work begun at Geneva is to be continued at the United Nations and in the newly-formed Trade and Development Board, the united front of the developing countries must be preserved. For exactly the same reason, the unity is likely to be subject to disruptive pressures. Such pressures will emanate not only from the so-called radicals among the developing countries, like Ghana or Indonesia, but from the developed countries as well.

One of the weapons likely to be used by the developed western countries to divide the developing countries is the offer of trade preferences graduated according to degrees of development. The effort to wean away the less developed African countries by offer of concessions for their primary exports will be worthwhile to the West if thereby the pressure for larger markets for manufactures and semi-manufactures from countries like India can be weakened.

India, as the country most responsible for the unity of the developing countries at Geneva, has a vital economic and political interest in preventing the success of this strategy. To convince the developing countries that no regional or sectional approach can lead to a solution of the basic problem which is the widening trade gap between the developed and the developing countries must, therefore, become an important task of Indian diplomacy.

New Loans

WITH conditions easy in the money market and the call rate down at ½ per cent, the Government has announced the second, and final, instalment of its borrowing programme for 1964-65. A beginning was made in April with the announcement of two conversion loans: a 4.75 per cent 1989 loan issued at par and a 4 per cent 1970 loan issued at Rs 99. To complete the borrowing programme the Government has now offered for public subscription further tranches of these same loans.

The conversion offer brought forth maturing securities worth Rs 141.5 crores out of a total of about Rs 192 crores falling due for repayment during the year. To reach the Rs 295-crore target of market loans set in the Budget, the current loans, therefore, would have to net Rs 153.5 crores. The actual offer is for Rs 150 crores with the right to retain subscriptions up to ten per cent in excess of this amount. If the Budget estimate of market loans is realised, net borrowing by the Centre in 1964-65 will amount to Rs 103 crores.

Two features of the current loans provoked comment at the time when they were first offered in April. First, the 1989 loan, with a maturity of 25 years, became the longest public loan in the market. This was welcomed because the shortage of long-dated Government paper hitherto meant that even long-term investors like the Life Insurance Corporation and the provident funds had to hold a fairly large part of their investments in short maturities. Second, at 4.19 per cent and 4.75 per cent the 1970 and 1989 loans showed an increase in yield of 0.10 per cent and 0.25 per cent, respectively, over comparable Government paper. While the higher yields did unsettle somewhat the market for other Government securities, they were accepted as in keeping with the gradual move towards "realistic interest rates which reflect adequately the real cost of capital to the economy", the case for which T T K has so often pleaded. The fractional increase in the interest rates also widened the difference between short and long rates.

In view of the easy money conditions and considering that the first tranches of the two loans are now quoted at a slight premium, there need be no doubts about the success of the present offer. Whether the State Governments, who will soon enter the market to raise Rs 100 crores, will be able to face their task with the same confidence remains to be seen

Interest Rates to Go Up

AN increase in the interest rates on bank deposits appears to be just around the corner, according to press reports. Most of the banks have come to recognise that there will have to be a substantial increase in their resources if they are to meet the credit demand in the next busy season which, with the growing tempo of economic activity, will be much higher than that in the season just over.

Up till now banks faced some competition for deposits from the non-banking companies accepting deposits. But the entry of the Unit Trust has made a marked impact on the attitude of depositors, particularly small and medium-size depositors to whom the security of bank deposits is as important as the return on them. There have already been withdrawals from banks for purchasing the 'units' of the Trust and there is no reason why such transfers will not swell as the popularity of the 'units' increases. Any further delay by the banks in taking a decision on increasing deposit rates may result in a sizeable decline in deposits. Announcement of the revision of deposit rates, therefore, may be expected by the beginning of next month.

Increase of a quarter per cent in the interest on medium-term deposits and one-half per cent in that on long-term deposits, as recommended by the Bhabha Committee, will no doubt affect bank profits. The impact will be aggravated by the higher liquidity ratio requirements which come into force in September. Further, if the Desai Award is not extended by the Government beyond July 31, some increase in wage cost may also be expected in the foreseeable future. It may not be possible yet to make any reliable estimate of the cumulative effect of all these factors on the cost structure of banks, but by any reckoning it is going to be quite considerable. Banks have been, therefore, thinking of levering up their advance rates to meet the expected increase in costs. One of the big five banks is reported to have already raised its lending rates by ½ per cent to 1 per cent, of course, keeping its prime lending rates at 6½ per cent which is the minimum rate agreed among the banks.

The move by the banks to raise their lending rates at the beginning of the slack season has naturally attracted comment. However, banks generally take stock of their positions only after the busy season is over and use the experience to formulate their policy for the next season.

To meet the credit demand in the busy season just over, banks relied to a large extent on the inter-bank market and on borrowings from the Reserve Bank. Between March and May this year, when the inter-bank rate averaged about 6 per cent, average inter-bank borrowings (time and demand) stood at Rs 52 crores as compared with Rs 45 crores during the corresponding period in 1963. The banks' average borrowing from the Reserve Bank during these three months increased to Rs 54 crores from Rs 40 crores in 1963. Since the re-

Special Number

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In view of the Special Number, there will be no weekly issues on July 18 and 25 and August 1.

A FERNANDES
Business Manager

introduction of the three-tier bank rate, banks' borrowings from the Reserve Bank in the busy season were mostly at the highest tier for a considerable time and this was reflected in the inter-bank rate which stood at 6¼ per cent from the middle of March to the middle of April.

No doubt, inter-bank money and borrowings from the Reserve Bank serve as the marginal sources with which banks meet their loan commitments but the higher marginal cost will affect the price of bank advances in the long run. It thus appears that the Reserve Bank's stringent credit policy has begun to affect the banks' advance rate structure.

As usual, the effect will be felt by the weakest category of borrowers who stand at the margin. Objections can be raised against an increase in the rates on bank advances, as the Reserve Bank is reported to have done in informal discussions with bankers, on grounds of wider economic policy which envisages a large expansion of the small-scale industries sector. An increase in advance rates will raise the costs of the small industrialists and thus affect their growth, it may be argued. In fact, however, if the banks are able to meet adequately the credit demand of the small-scale sector, the higher cost as a result of higher advance rates may not matter. The question is whether the banks will be in a position to provide adequate finance to the small scale sector even at the higher rates.

Cloud over PL 480

A Correspondent writes:

THE reported move in the U S to make a fundamental change in the basis of PL 480 assistance has understandably disturbed New Delhi. The change, it is feared, will involve the sale of agricultural commodities on a dollar loan basis in place of the present sale against rupees, of which 80 per cent come back to the Government of India, divided in roughly equal proportions between grants and loans. The total value of sales obligated under Title I of PL 480 through April 1964 aggregates $2,485 million, of which approximately $2,070 million has already been received. The balance of about $400 million or less than Rs 200 crores would be used up fairly soon. We are asking for another massive dose of such assistance.

There is no doubt that, in terms of our present difficulties, a harder version of PL 480 would have alarming repercussions, the over-all improvement in the foreign aid climate notwithstanding. Any difficulties, so far unforeseen, in securing adequate supplies of wheat and rice would eliminate what little hopes there are of stabilising food prices in the near future. There are other, but relatively minor, considerations too. Dollar loans for PL 480 purchases, even on terms that may be more generous than the usual AID loans, would add to our servicing obligations. Besides, the budgetary support which the Government has derived so far from rupee grants would disappear.

Viewed in a longer perspective, however, the notice which the U S is serving would help in ending the smugness of Central and State agricultural polices, especially in relation to wheat and cotton. The gradual removal of the PL 480 prop is necessary as a stimulus to increase agricultural productivity and to rationalise the system of food-grains distribution. The import of PL 480 commodities on a straight loan basis would also do away with the rather cumbersome, though ingenious, procedures of piling up rupee balances at the Reserve Bank and then dishing them out to the Government through a long and complicated series of individual agreements.

Those in India who believe in maximum possible self-reliance, on empirical as well as philosophical grounds, would welcome a new and more rational basis for PL 480 assistance, provided two essential conditions are fulfilled:

(1) the change should take place after a year or so when we should, by the law of averages as applied to our food production, be out of the acute shortages we are facing; and,

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(2) the prices of U S agricultural products and the ocean freights for transporting them are fixed at some reasonable parity with international levels.

Unless these conditions are fulfilled, any significant hardening of the terms of PL 480 assistance would tend to defeat the major goals of U S aid to India.

Underwriters Uncovered

UNDERWRITING has become a firmly established and effective function in the capital market. The number and significance of the functionaries, too, have increased. During the four years 1960 to 1963, there were 299 capital issues of shares and and debentures through prospectus for an amount of Rs 168 crores of which Rs 80 crores was offered to the public. Of these, underwriters interested themselves in 199 issues for a total amount of Rs 124 crores of which the public offer of Rs 60 crores and a firm allotment of Rs 8 crores was taken up by them. The Rs 68-crore obligation represented, in terms of the total amounts offered to the public, almost the entire debenture, 86 per cent of the preference and 66 per cent of the equity, issues.

Of the total underwriting obligation, brokers accounted for the largest proportion, 28 per cent. In 1961 and 1963 their contribution was actually 38 per cent and 31 per cent, respectively. Banks provided 19 per cent—nearly 38 per cent in 1960. While the large amounts underwritten during these four years indicate the rapid growth of the capital market as well as the institutions which support it, the continued predominance of brokers and banks as practically the two largest single groups of underwriters indicates that the institutional set-up is still far from being as specialised as it ought to be. Specialisation is, of course, not a virtue in itself and we do not have to imitate the London set-up, but the substantial role played by brokers and banks does bring out the fact that the resources and special skills of these institutional groups are not utilised fully in their own respective fields. Or, alternatively, institutional underwriters proper have yet to appear in sufficient number and to reach a level of activity that would provide an adequate variety and range of underwriting services.

Among the institutional underwriters proper, L I C obligated 20 per cent of the total amount underwritten. This proportion was greatly boosted by the Rs 7-crore obligation it assumed in the Rs 30-crore debenture issue of Oil India in 1962. This single obligation accounted for one-half of its total underwriting activity during the four years. The merits of the investment apart, this hardly appears a sound method of distributing underwriting liabilities. I F C accounted for 8 per cent, its share rising from less than 3 per cent in 1960 to nearly 10 per cent in 1963. I C I C I, which has been longest in the field, took up almost 9 per cent but its share moved erratically, 12 per cent in 1960, less than 4 per cent in 1961, rising to between 9 and 10 per cent in the remaining two years. The State Financial Corporations, which have been the last entrants, assumed 6 per cent of the total underwriting obligations. Their contribution, too, has been erratic—1 per cent in 1960, 13 per cent in 1961, 2 per cent in 1962, and 10 per cent in 1963. The share contributed by investment companies has, curiously enough, declined consistently—10 per cent in 1960, 5 per cent in 1961, 3 per cent in 1962 and less than 2 per cent in 1963, making a total of a little more than 4 per cent for the entire period. Obviously, these companies are finding other more remunerative outlets for their funds. The remaining 6 per cent of underwriting came from others.

How much did the underwriters have to take up due to shortfalls in public response? Such data are available for 1960 to 1962 and for 130 issues amounting to Rs 45 crores out of the 138 underwritten for Rs 54 crores during the three years. Of these 130, only 45 required actual investment by underwriters and the amount which they had to put in was only Rs 11 crores or 24 per cent of their total underwriting obligation. The proportion rose consistently during the period from 20 per cent in 1960 to 26 per cent in 1962. It must have risen further in 1963.

Chronicle of the Boom

MANY other useful bits of information are collected together in the study of capital issues in the June issue of the *Reserve Bank Bulletin*. The total magnitude of new issues by public companies in the corporate private sector rose from Rs 5 crores in 1952 to Rs 65 crores (including premium) in 1961, and further to Rs 104 crores (including the Oil India debenture issue) in 1962. The amount fell, however, to Rs 54 crores in 1963.

There is a considerable lag between the consents given by the Controller of Capital Issues and the actual issue of shares and debentures. The annual average consents by CCI amounted to Rs 96 crores during 1956-60, rising to Rs 146 crores in 1961-63. The actual annual average issues were only Rs 71 crores in 1957-60 and Rs 95 crores in 1961-63. The lag has obviously tended to increase in recent years and is a rough measure of the widening gap between intentions and performance.

Two interesting points that emerge about equity issues by prospectus are that

(i) the contribution of promoters has remained practically constant at about one-third of total equity during 1960-63, though their subscriptions to total capital issues have declined from 26 to 20 per cent over the period; and,

(ii) the share of foreign collaborators in the equity issues of companies in which they participated rose from 24 to 34 per cent, averaging 31 per cent for the period as a whole.

Among the oddities, which will go down in corporate history, during the period was the public response of Rs 176 crores against the total offer of Rs 17 crores in 1960. Synthetics and Chemicals fetched nearly Rs 100 crores though the offer was only Rs 1.7 crores. Those days have passed.

Response to Capital Issues by Prospectus, 1960-62

	1960	*1961*	*1962*	*Total*
(1) No of issues	51	85	69	205
Of which				
(a) over-subscribed	39	42	42	123
(b) fully subscribed	4	15	4	23
(c) under-subscribed	8	28	23	59
(2) No of issues for which data on extent of public response available	51	81	68	200
(a) amount offered *(Rs crores)*	17.40	16.36	26.48	60.24
(b) public response *(Rs crores)*	176.27	69.10	136.41	381.79

Capital View

Politics of the Transition

Romesh Thapar

WITH T T Krishnamachari and Indira Gandhi in London to represent India at the Commonwealth talks, and observers wondering how they will divide their responsibilities, comments have been heard at the highest levels about the many voices with which the GOI now speaks. This is not a new feature of the working of the Government, but of late it has become all too noticeable.

The careful noting of opinions in high places has become an important pastime because nobody really knows what the policy of the Shastri Government amounts to. Of course, almost daily there is someone pontificating about the new Government's determination to live up to the credo of Jawaharlal Nehru. This is a necessary public relations boost for the successor Government, even though the impetuous Manubhai Shah, despite his belated denials, almost punctured the image in the course of convincing US business circles of the *new* opportunities in India.

T T Krishnamachari in London has also stressed the theme of continuity although he too has seen fit to make special mention of his desire to treat foreign capital 'differently' from Indian capital. May be this approach is also part of the 'continuum', for after all he did say something to this effect in his last budget speech. What does it matter if certain facets of an over-all, balanced policy are more deeply etched now that the 'old man' isn't there to question the emphasis!

There is no denying that from among this whole bunch of politicians Shastri is without a doubt the most determined about evolving a new policy. And it is necessary, even as contradictory voices are heard, to note the beginnings of this attempt irrespective of whether we believe he has the clarity and dynamism to carry an amorphous party with him.

Shastri takes pains to project himself as a 'centrist'. In fact, he uses the word himself to describe his political-economic concepts. Several commentators, meanwhile, are making a great play with this notion of centrism. Only a few have thought fit to warn that a policy anchored to the dead centre can in our conditions prove dead, sterile, static. In other words, a centrist, to be relevant, must inevitably move to the left of centre or to the right of centre.

New Policies

This rather obvious truth is beginning to dawn on policy-makers in the capital. And in the debate which has been joined, the consensus (what an appropriately amorphous, centrist word!) is that Prime Minister Shastri is moving to the right of centre. Much evidence is advanced to support this thesis.

Shastri's comments to journalists of various descriptions are being researched. Vagueness in attitude to foreign and domestic issues is now seen as the calculated and skilful preparation of a man who wishes to change Nehruist policies, evolved and consolidated over some sixteen years, without arousing undue alarm and suspicion. The reluctance to talk in terms of massive five-year plans, and the desire to stress the obvious but neglected minor facts of failure and achievement, are interpreted as marking the end of 'economic dogmatism' and its replacement by 'realistic pragmatism' based on private initiative and enterprise. The quiet, efficient operation against the strong men in the States, launched in the Punjab and now spreading to Orissa and Uttar Pradesh, is viewed as reflecting a determination to place honest, mediocre men in the saddle, men who will do as the High Command directs.

The easy description of non-alignment as 'friendship for all nations', the imperceptible shift in emphasis from 'democratic socialism' to 'socialist democracy', from 'planning' to 'implementation', are straws in the wind of change. But there is more to it than just this. The address to Asoka Mehta's Planning Commission, pitched to the objectives of minor irrigation and cottage industries, the failure to back the bold initiatives of Food and Agriculture Minister Subramaniam at the Chief Ministers' Conference, and the behind-the-scenes moves to set up 'brains-trusts' of so-called pragmatic men are part of the pattern which is now unfolding.

Of course, even among those who would foster this movement to the right of centre, there is an uncomfortable feeling that events might conspire to push Shastri to the left of centre. For example, all the careful preparation to introduce India's new image to the world at the London conference was nullified by illness. Now, Shastri will probably take his first trip abroad to the Non-Aligned Conference in Cairo—an experience which could have a deep impact. A visit to Moscow might follow soon after—dictated by the needs of Chavan's Defence Ministry which has been denied super-sonic aircraft and submarines by the West or by requirements of the steel and heavy engineering industries.

At home, too, the pressures might increase for action which only a streamlined and powerful Planning Commission could coordinate. Shastri might yet be convinced that the projected 7 per cent rate of growth cannot be drastically revised without endangering the democratic structure which alone can ensure the so-called centrism to which he is wedded.

Politically, the ruling party appears as if it is firmly in the hands of the 'bosses', but we have as yet to witness an all-India gathering of the machinemen and field-workers with Jawaharlal Nehru no longer present to bring 'wings' and 'factions' and 'trends' together on an agreed platform. Will the technique of the consensus be effective when the hosts gather at Durgapur next January? By then, Shastri and his men will have to be ready to lead.

Against this kind of background, the re-emergence of Jayaprakash Narayan on the political chessboard is not to be dismissed lightly. His statement in Madras, a carefully phrased self-criticism about lost opportunities to serve the Congress Party and to work for its socialist objectives, together with his later plea for a national government embracing even 'dedicated' non-Congressmen, clearly prepares the way for his return to the leading echelons of the party and the State. A close confidant of the Prime Minister, Jayaprakash Narayan could be headed for the Foreign Ministry, a first step towards deputy leadership.

There is no denying that the transition we are witnessing could develop dimensions not indicated earlier.

From the London End

Boom in Petroleum Refining

THE spectacular rise in the installation of new refinery capacity in Britain has been one of the dominant features of the economic scene in 1964. Last week alone, six new refinery projects were announced and the total refining capacity in Britain will now be increased by about 30 million tons (including some extensions) to bring it to a total of some 88 million tons a year by 1967. Most of the new capacity will be built by foreign-owned oil companies, and as a result, the British share of the total refining capacity, which was 65 per cent at the end of 1963, will fall to about 60 per cent when the projects are completed.

In January 1964, Shell announced that they were to build a £10 million plant with a capacity of 4 million tons a year at Teesport, scheduled for opening early in 1967.

In May, *Gulf* announced that it had found a suitable site at Milford Haven on which to build a 2 million ton-a-year plant at a cost of £12 million.

Total Oil Products (Great Britain), the British marketing subsidiary of the Compagnie Francaise des Petroles, announced on June 18 that it would build a £12 million oil refinery on the Southern side of the estuary of the River Humber with an initial oil capacity of up to 3 million tons annually.

The Belgian oil group, Petrofina, has taken an option on a site on the Humber and proposes to build a refinery with an annual capacity of 4 million tons by 1970.

Phillips Petroleum Company of Bartlesville, Oklahoma, U S, has formed a joint company with Imperial Chemical Industries to build and operate a £10 million oil refinery on Tees-side which is expected to start production early in 1966.

The Italian State-owned concern Ente Nazionale Idrocarburi has drawn up plans to build a refinery on Canvey Island at an estimated cost of £15 million with a capacity of 2 million tons, scheduled to come on stream in 1967.

British Petroleum is to build a 2.5 million ton capacity extension to their Llandarcy refinery, bringing its output up to 8 million tons a year by 1967.

Nearly 70 per cent of the new petroleum refinery capacity now envisaged will be in the development districts, much of it on Tees-side.

This expansion programme has certainly been welcomed by the Ministry of Power, as the continuing import of refined oil products was undermining Britain's balance of payments. Indeed, last year, for the first time since 1951, the quantity of refined products imported by the U K exceeded the quantity exported and used for bunkers. In 1963, Britain's total oil import bill, after the deduction of exports, rose by £27.5 million to £442.8 million and nearly £17 million of this increase was accounted for by refined products.

The refining process in itself adds another £2 to £3 a ton to the value of crude oil, while export and bunker supplies will make a substantial contribution towards offsetting the costs of the imported crude. The large-scale investment by foreign oil companies, which is estimated could come to over £40 million, will do much to help the balance of payments and will also help to offset the effect of the investment abroad by the U K-owned oil companies on the balance of payments.

Government Pressure

What lies at the back of this spate of new refineries? There is no doubt that bearing in mind the balance of payments implications, the Government have been bringing moral pressure to bear on the oil companies to build new refineries in the U K, particularly when it became known that Britain would be unable to join the Common Market and many Continental Governments were keen to see oil companies step up their refining capacity on the Continent. The Government has been making it clear that it would like to see more of the foreign companies that sell oil in the U K building refineries in the U K itself. Hitherto the Government had not met with much success. The altered position may be due to the fact that there is now a good prospect that oil or natural gas may be found in the U K section of the North Sea. When the long established oil companies, as well as newcomers, rushed to join in the search for natural gas in the British part of the North Sea, the Ministry of Power was able to bring pressure to bear on the oil companies by confining the grant of permits to companies that had oil installations in the British market.

Another reason for this growth is that newcomers to the British market like Gulf, Total and Agip, have somewhat naturally been looking for potential sites for refineries as the next step in the development of their marketing operations in the U K.

Another reason behind the spate of new projects is the decision of the gas industry to make more use of naphtha as a raw material. During the last two years, the demand for gas-diesel and fuel oil has been growing more rapidly than that for the lighter products such as petrol. Since a barrel of crude oil yields a whole range of products, if there is a much higher demand for the heavier products, the refining companies are left with a large quantity of the lighter varieties on their hands. Since naphtha is, in effect, a low grade petrol, this increased demand from the Gas Boards will help the oil companies to get rid of products which might otherwise have been an embarrassing surplus.

Finally, of course, refinery expansion in Britain was bound to occur because, although refineries are expensive to construct, it is always more economic for a company to keep its oil in the crude form until it is as near to its market as possible, once the company's sales in the market have become reasonably large.

At a Press Conference held at the end of June, the Ministry of Power said that the new refinery projects announced since the beginning of the year should be sufficient to cover the growth in the U K's inland demand for oil products up to the end of the decade and might be enough to supply all the bunkers as well.

Will the new refinery capacity now be sufficient to provide a small net exportable surplus? Estimates made by the oil companies themselves, indicate a 7 to 8 per cent annual growth rate based upon a national economic growth rate of somewhat less than the 4 per cent "Neddy" target. On these calculations, provided always that the Continent did not also have an export surplus, and taking into account the present post-tax relationship between oil and other fuel prices, there would certainly be something left over for exports. But on a sober analysis, the oil companies' forecasts appear to rest on a somewhat conservative basis. Perhaps one of the reasons for this lower estimate of consumption is the recognition that

too sharp an increase in fuel oil consumption, which would be bound to make an impact on coal consumption, might lead to Government measures to protect the coal industry. However, there is no specific indication of what the new plans will imply for the coal industry. The bulk of the new capacity will serve the growing requirements of road transport and other non-competitive requirements, not least the needs of the refineries themselves which consume an estimated 8 per cent of their own output.

Total oil consumption in Britain has, ever since 1954, been growing at the rate of 11½ per cent a year. Total consumption, including bunkers and the refineries' own requirements, last year reached 61 million tons. Therefore, the accuracy of the forecast made by the Ministry of Power must depend on the rate of growth in the demand for oil products declining from the rate of, 10 per cent per-annum of recent years, and a continuation of some effective form of protection for the coal industry. Therefore, if demand in Britain rose at a rate greater than 9 to 10 per cent a year between now and 1967, the extra refining capacity would still not be enough to provide net exports.

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Somalia's First Five Year Plan

Krishna Ahooja

So complete is the lack of basic statistics about the economy of Somalia that most economists and planners would have decided to leave the country alone. But the planners in Somalia have taken a realistic view and, without waiting for all the data necessary to forge elegant tools, have proceeded to identify the most urgent needs of the people and base the country's first five year plan on them.

The plan thus concentrates on a few programmes which include expansion of irrigation and increased output of sugar, cotton, wheat and oilseeds. The plan includes, besides, schemes to improve transport, education, health and the administrative services.

Almost the entire expenditure envisaged in the plan is to be financed from external assistance. The complete neglect of the necessity to mobilise domestic savings is the most important lacuna in the plan.

SOMALIA, in the horn of Africa, is a unique country in many respects. The majority of its inhabitants are nomads and depend entirely on animal husbandry. The number of inhabitants of Somalia is somewhere between two and five million depending upon the sources. The United Nations has estimated it at two, while the official estimates of the Ministry of Interior puts it down at five millions. To a layman, one supposes, a difference of a few million in a country's population may be meaningless. But the experts argue that planning is impossible in a country where there are no basic statistics. Despite this, it is surprising that the majority of the new nations of Africa have accepted planning as an instrument of policy —without worrying too much about statistics.

National Income Unknown

Those who are responsible for drafting Somalia's Plan seem to be aware of this when they make this candid admission:

> "The methodology of planning for the Somali Republic does not follow the usual pattern based on the gross national product (GNP) approach, for the simple reason that information about GNP is not available. Certain other necessary data is either not available at all, or if available, is unreliable and incomplete. This is true of population, birth and death rates, age distribution, immigration and emigration, labour force, employment and unemployment, wages and salaries, areas under different crops, agricultural production, yields of different crops, agricultural holdings, livestock products, livestock trade, forestry, fisheries, small scale and handicraft industries, building construction, electricity, wholesale and retail trade, price indices, road transport, education, health, personal income and housing."[1]

A conventional planner would have left the country in peace after learning this and reported that Somalia's people must continue to be nomadic for another few centuries. But the planners in Somalia have taken a realistic view by making a bold attempt to transform a backward economy. In the realm of planning, as in other fields, there are princes and missionaries. Without waiting for elegant tools, they adopted the approach that the most urgent needs of the country should be identified with "the factors which were of strategic importance for development."[2]

Aid : Sole Source of Finance

The plan therefore proceeds on the assumption that lack of data need not be a disadvantage. It concentrates on a few programmes which include expansion of irrigation for food and cash crops and fodder, increased output of sugar, cotton, wheat, oil seeds, etc.

What does the plan intend to spend? The total adds up to approximately 1,400 million Somali shillings (U S $200 million). Of this amount, 24 per cent is for agriculture, about 17 for industry, 29 for transport and 30 for other services. The method of financing may be called extremely simple. Almost the entire expenditure is to be financed by loans and grants from abroad. The reasons for this are again appealing. No public savings are envisaged. Since private savings are small and uncertain they are to be left untouched. The prospect of obtaining external sums appears to be pretty good right now. More than half the total amount envisaged by the plan is promised by U S S R and Czechoslovakia. Recently China has offered about 160 million S S. This leaves a gap of about 500 million S S which is expected to be filled by the European Common Market, U S A and the international agencies. The total amount already offered to Somalia is indeed formidable. It amounts to approximately U S $25 to 30 million a year.

The development of sugar, meat packing, fish processing and dairy products are among the industries which Somalia considers to be important. In addition the plan includes certain improvements in transport, education, health and administrative services. The strategy of development is simple indeed.

Unused Reports

The approach of the planners is to formulate projects, estimate their costs and their contribution to a given sector and enter into contractual agreements with domestic or foreign enterprises. If implemented, these projects could have a major impact on Somalia's economy. The awkward question still remains. For the last one decade the Italians and the United Nations have sent bucketfuls of experts. There are numerous files and reports on the resources of Somalia and its potentialities. But visibly, and many have confirmed this, Somalia carries on the centuries-old tradition. Even the most important problem of obtaining sweet water for daily life is not yet solved. Negotiations are now in progress about harnessing the two rivers which Somalia shares with Ethiopia. There is no doubt about the fact that numerous concrete buildings bearing high sounding names of companies have been constructed. But these are small dots of progress on an otherwise totally backward economy. It may be that not until some very distinguished personalities are offered a cup of tea made of salt water in the only hotel in Mogadiscio that the problem will be solved.

Somalia has over a million cattle, seven and a half million sheep and goats and approximately 2½ million camels. This would mean that every Somali has a camel. This is definitely higher than the number of cars *per capita* in the United States. But in the twentieth century cars and camels have different social values. A country like Somalia where the number of animals *per capita* is six times higher than that in Europe (excluding USSR) need not encounter any problem of protein deficiency. The plan envisages

agricultural investments totalling 250 million S S, approximately half of which would be in state farms and the rest on extension of various agricultural services. The investments, if carried out, may increase agricultural output three to five fold by extending cultivable area and increasing the use of irrigation. This is indeed a large undertaking, and a commendable one particularly when one looks at the agricultural targets of the Second Five Year Plan in India.

Industrial Development

Before describing the aims of the plan in this field, it may be interesting to glance at Somalia's present industrial base. There are some small scale and handicraft industries, but so far as large scale industry is concerned there is only one factory, producing sugar at Johar. During trusteeship days, the market economy of Somalia revolved around the activities of plantations most of which were owned and controlled by Italians. This was despite the popular myth that the economy of Somalia did not offer any attraction to its colonizers. There is no space here to go into details of the amount of profits which the Italians gained by exporting bananas and cotton. Under the Development Plan new factories are to be established for sugar, meat packing, milk processing, cotton textiles and fish canning. It is difficult to project to what extent the output of large scale industry would expand. There is another important factor which must be taken into consideration. At present a considerable amount of private investment is being undertaken in the field of petroleum exploration. If these efforts are successful, the development of oil will alter significantly Somalia's economy. As a rough approximation, gross industrial output may expand ten to fifteen times. The contribution of industrial output may rise from negligible to 4 or 5 per cent of national output. This is quite impressive in an economy which has been described for the last few decades as basically pastoral.

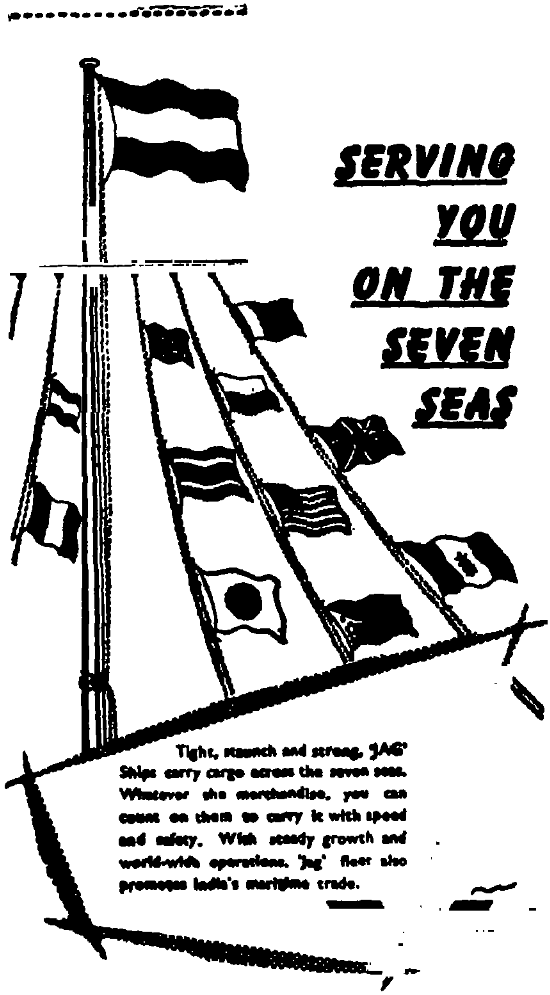
In 1960, Somalia enacted a law on Foreign Investments which defines "productive enterprises". Investment in these enterprises are exempted from income tax on profits for the first ten years. Both the plan and the Investment Law are geared to attracting foreign enterprise. In fact Somalia is one among the few countries in Africa which has enacted a law specially to attract foreign capital.

The area of public finance is inadequately explored by the plan. From the political point of view it may not be possible to finance fully the proposed projects from abroad. External assistance cannot be considered as a permanent feature of the economy. For private industrial activities, however, a banking institution called *Credito Somalo* was recently established. The bank operates a medium and long-term lending section and is owned by the government. But, despite these facilities, the plan envisages no efforts to raise domestic savings, both public and private.

As mentioned earlier, the agricultural development of Somalia largely depends upon the harnessing of the rivers Giuba and Shibeli which originate in Ethiopia. For the economy of Somalia it is of the utmost importance that border incidents do not heighten political tensions with Ethiopia. Perhaps the two countries can come to a permanent settlement. Then it would be possible to develop the river basin as an international project on lines similar to the Mekong river project of the ECAFE.

[1] Somali Republic, "First Five Year Plan (1963-1967)" p 4.

[2] *Ibid*, p 15.



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Substitution of Excise Duty for Sales Tax

Its Impact on State Revenues

D R Singh

The substitution of sales tax in 1957 by additional excise duties on mill-made textiles, sugar and tobacco was a very significant change insofar as it aimed at uniformity in the sales tax systems of the different States and sought to reduce collection costs, tax evasion and hardship to the business community which was obliged to maintain elaborate accounts for sales tax purposes.

It is more than six years now since the new scheme was introduced and it is perhaps time that it is examined in some detail, particularly as the next Finance Commission will consider the possibility of extending the scheme to some more commodities such as paper, matches, vegetable products, etc.

An attempt has been made here to

(i) describe, in brief, the historical development of the scheme;

(ii) examine the arguments for and against extension of the scheme; and,

(iii) evaluate the effect of the additional excise duties on States' revenues.

[The author is indebted to Dr P S Lokanathan, Dr S K R Bhandari and Dr R L Agrawal for their helpful comments and suggestions on an earlier version of this paper but none of them is responsible for any shortcomings that still remain.]

THE question of levying additional excise duties in lieu of sales tax was first raised before the Taxation Enquiry Commission in 1953 54. The negative response of the Commission shelved the problem for two years. The question was again examined by the National Development Council at its meeting held in January 1956. It recommended that the sales tax on mill made textiles, sugar and tobacco (including manufactured tobacco) should be substituted by additional excise duties. The suggestion, however, did not find favour with the State Governments. The Council, at another meeting held on December 8, 1956, reiterated its earlier view. Later on the Central Government persuaded the States to accept the levy of additional excise duties in lieu of sales tax on these three commodities.[1] As regards the distribution of the proceeds from the duties, they agreed to follow the recommendations of the Second Finance Commission.

The Second Finance Commission examined the various aspects of the distributive problem and recommended that the proceeds from the additional excise duties may be distributed as follows:

(1) one per cent of the net proceeds in any financial year of the additional duty of excise on each of the three commodities, namely mill-made textiles, sugar and tobacco (including manufactured tobacco) be retained by the Union for the centrally administered areas; (2) a sum equal to one and one quarter per cent of such net proceeds be paid to the State of Jammu and Kashmir;[2] (3) out of the balance of the net proceeds a guaranteed sum (equal to the present incomes of the States on account of sales tax) and a percentage share[3] given in columns 1 and 2 of Table 1 should be paid to the States.

As a result of such substitution, the revenue derived from the additional excise duties was Rs 39.5 crores in 1958 59, which rose to Rs 45.89 crores in 1962-63 (RE) as against a sum of Rs 32.50 crores from the sales tax on these commodities in 1956 57. This increase in the revenue has encouraged the business community and trade associations to support their demands for the extension of the additional duty of excise on all the excisable commodities. Accordingly, the central Government set up in September 1959 a committee of the Chief Ministers and the Finance Ministers of all the States, under the chairmanship of the late Dr B C Roy, to decide the advisability or otherwise of the extension of the substitution scheme to other commodities also. The Committee submitted its report in October 1960 and recommended the levy of additional excise duty on mill made silk fabrics

Table 1: Shares of States in the Net Proceeds from the Additional Excise Duties

(Rs lakhs)

State	Second Commission		Third Commission	
	Guaranteed amounts	Percentage	Guaranteed amounts	Percentage
	1	2	3	4
Andhra Pradesh	235	7.81	235.24	7.75
Assam	85	2.73	85.08	2.50
Bihar	130	10.4	130.16	10.00
Bombay	960	17.52	961.22	16.00
Kerala	95	3.15	95.08	4.25
Madhya Pradesh	155	7.16	155.17	7.00
Madras	285	7.74	285.34	9.00
Mysore	100	5.13	100.10	5.25
Orissa	85	3.20	85.10	4.50
Punjab	175	5.71	175.19	5.25
Rajasthan	90	4.32	90.10	4.00
Uttar Pradesh	575	17.18	575.81	15.50
West Bengal	280	8.31	280.41	9.00
Total	3250		3254*	

* A small increase of Rs 4 lakhs over the previous guaranteed amounts is due to the levy of additional excise duty on mill-made silk fabrics.

Source: Based on the Report of the Finance Commission of 1957 and 1961.

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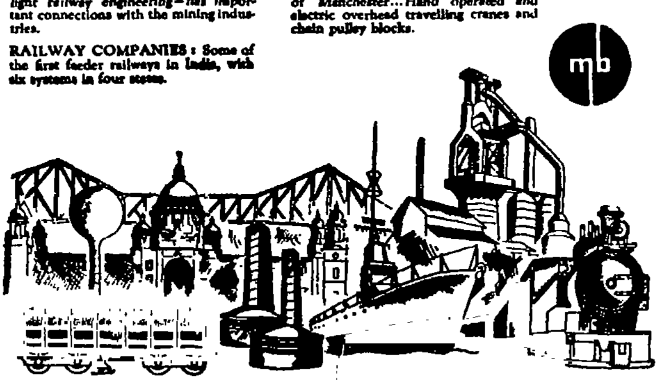
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only. The Committee also examined thoroughly the question of the extension of the scheme to cover matches, paper and vegetable products and came to the conclusion that the scheme need not be extended to any more commodities. Following the recommendation of the Committee, and with the consent of the States, the Central Government imposed an additional excise duty on mill-made silk fabrics in lieu of sales tax with effect from March 1, 1961.

When the Third Finance Commission was set up in 1961 the problem of distributing the net proceeds (including the revenue from additional excise duties on silk fabrics) was again referred to it. The Commission followed mainly the recommendations of the Second Commission with certain modifications. It recommended that (a) the 1¼ per cent of the net proceeds paid to the State of Jammu and Kashmir be increased to 1½ per cent; and (b) in respect of other States, the annual guaranteed amounts with the addition of additional excise duty on silk fabrics be as given in column 3 of Table 1. As regards the distribution of excess collection over guaranteed amounts, the Commission recommended that it should be based partly on the basis of percentage increase in sales tax revenue since the year 1957-58 and partly on the basis of population in the ratio given in column 4 of Table 1.

In February 1963, State Finance Ministers examined the substitution scheme again and disfavoured replacement of sales tax by additional excise duties on more commodities.[4] The State Finance Ministers reiterated the same views at another conference held in November 1963.

II

The above description of the attitudes to the substitution scheme clearly demonstrates that while the Central Government and the business community favour the idea of the amalgamation of sales tax on all or some excisable goods with the additional excise duties, the State Governments are, by and large, opposed to the extension of the scheme to any more commodities. *In order to put the problems in the proper perspective, it is worth examining how far the objectives of the substitution scheme have been realised and whether the State Governments possess valid reasons for opposing the extension of the scheme to cover all excisable commodities.*

One of the main objectives for the replacement of sales tax by additional excise duties is to minimise the possibities of sales tax evasion by levying the duty at source, i e, at the point of production instead of that of distribution. But experience shows that evasion of excise duty is not uncommon and in certain cases excise duty can be avoided more easily than the sales tax which is collected in some States at various points.

Second, compliance of the various provisions of the Sales Tax Act requires the dealers to maintain elaborate books and accounts. The introduction of additional excise duties has, no doubt, relieved the dealers from the liability to submit returns of sales and to maintain a number of records or make use of and, in turn, receive a number of certificates. They are also saved from the rigours of annual assessment.[5] But it has been pointed out that "even if all the excisable goods are removed from the purview of the sales tax, some form of sales tax system would still have to be continued in respect of the other goods. The object of taking as many dealers as possible out of the scope of the Sales Tax system would, therefore, not be served in a large number of cases where the goods dealt in consisted both of the excisable as well as the non-excisable category."[6]

Third, the substitution scheme has undoubtedly reduced administrative and compliance costs and to that extent both State Governments and, the business community have benefited. This advantage, to some extent, has been off-set by a small increase in the administrative cost of the Central Excise Department.

Fourth, the levy of additional excise duties on these commodities has eliminated various tax rates, lists of exempted articles, administrative formalities, etc, and has brought uniformity in the system of taxation. But the disirable uniformity in Sales Tax system should be brought about, not by its replacement but by joint efforts by all States. This may be achieved by the Central Government undertaking the enactment of a Model Sales Tax Act for all the States.

Last the increase in revenue from Rs 32.50 crores collected from sales tax in 1956-57 to Rs 45.6 crores from additional excise duties in 1962-63 (R E) has been advanced as an argument *in favour of the substitution.* However, as will be seen later on, the States have not benefited by this increase in revenues.

States Opposed to Extension

The States, on the other hand, oppose the idea of extending the scope of the additional excise duties to *other articles on various grounds.* First, the levy of additional excise duties in lieu of sales tax on all the excisable commodities will, in the opinion of the States, limit the tax powers of the State Governments and, to that extent, the autonomy of

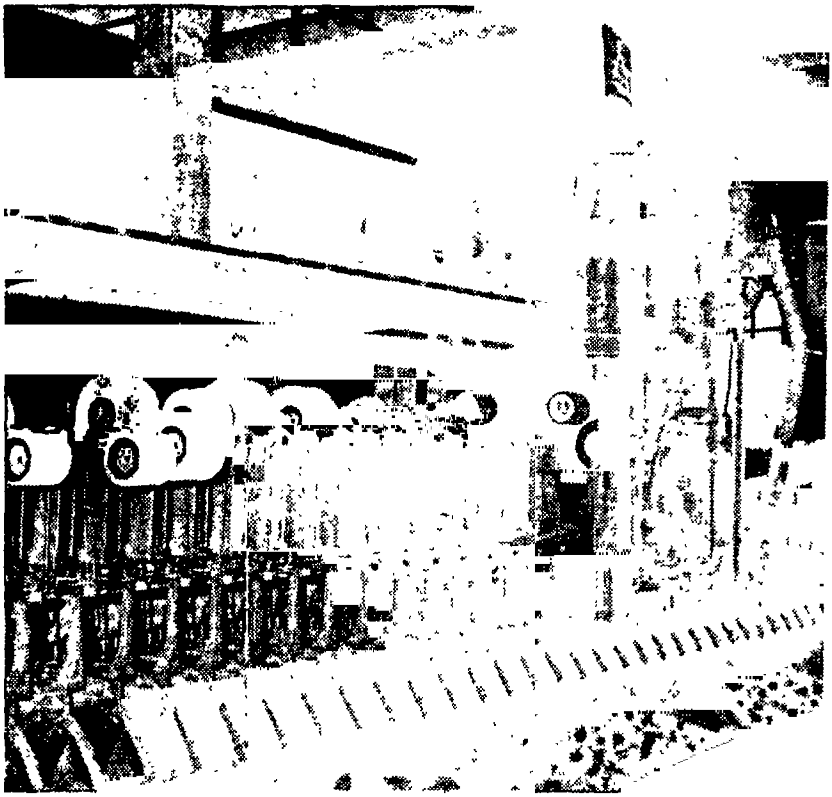
Table 2: Increase in Sales Tax Revenue from Textiles, Sugar and Tobacco of all the States and the Amount of Additional Excise Duties Transferred to Them

(Rs crores)

Particulars	1957 58	1958 59	1959 60	1960 61	1961 62
(1) Sales Tax collection*	117.12	123.72	136.70	158.01	181.40
(2) Index No of collection	100.00	105.6	116.7	134.9	154.9
(3) Normal increase in Sales Tax revenue from textiles, sugar and tobacco (Based on index in (2) above)	32.50	34.32	37.92	43.84	50.34
(4) Amount of Additional Excise Duties transferred to States	-	39.50	38.91	38.35	39.55
(5) Excess or deficit of Additional Excise Duties compared to Sales Tax (4--3)	--	+5.18	+0.99	—5.49	—10.79

Source: Cols (1) and (4): Based on Reserve Bank of India studies. Sales tax revenue from textile, sugar and tobacco for 1957-58 is taken from the Report of the Finance Commission, 1957.

* Figures are inclusive of receipts under the general sales tax and sales tax on motor spirit.

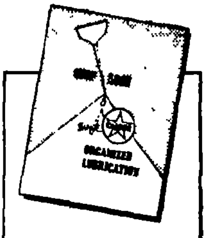


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the States would be restricted.[7] Any further move in the same direction is bound to affect adversely the autonomy of the States. Second, the transfer of any more commodities from the purview of sales tax would mean the erosion of the most flexible and elastic source of revenue which can be changed to suit pattern of consumption and trade and the expanding economy of the State without any severe repurcussions on the consumers of the other States. Moreover, the rise in prices of textiles, sugar and tobacco is not taken into account because the excise duties are levied not on *ad valorem* basis but on specific basis and to that extent the States suffer. If the sales tax system had prevailed then obviously the States would have gained more. Furthermore, when the dependence of the States on the Centre for financial assistance is increasing annually transfer of any goods from the orbit of sales tax is not desirable. Lastly, some States oppose the scheme because the distribution of revenue derived from additional excise duties is based on unscientific principles and policies. The distribution of the proceeds may be effected by factors only of all India application and depends on the views of arbitrators who may or may not take into account any particular State's problems, however, genuine.[8]

III

We now proceed to examine the effect of the substitution scheme on the revenues of the different States during the period of five years beginning 1957-58. In 1958-59 and 1959-60 the amounts derived from additional excise duties are more than the projected increase in the revenue from sales tax on these commodities and the States gained Rs 5.18 crores and Rs 0.99 crores respectively (see Table 2). But the revenue from excise duties falls behind that from sales tax by Rs 5.49 crores and Rs 10.79 crores in 1960-61 and 1961-62 respectively. A cursory glance shows that the revenue from additional excise duties is larger in all the years than the guaranteed amount of Rs 32.50 crores to be paid to the States in lieu of the sales tax surrendered by them. The Finance Commission, 1957, has also observed that the proceeds of the Additional Excise Duties would be greater than the total of the guaranteed amounts. If we take into account the projected increase in the revenue of sales tax on textiles, sugar and tobacco, as described above, this conclusion may not hold. The Commission has not made allowance for the normal increase in sales tax revenue. Taking into account the increase in the yield of sales tax in these years, it may be said that the States have suffered an annual loss of Rs 10.11 crores in 1961-62 from the replacement of sales tax by additional excise duties (the loss may be actually some what smaller if the impact of wider coverage of sales tax could be discounted).

A State-wise study of the revenue implications of the substitution indicates that the States have lost revenue in varying degrees. They may be grouped into three categories. First, there are the States (UP, Rajasthan and Assam) whose revenues from additional excise duties were greater than the projected sales tax revenues in each year except in 1961-62. In 1961-62, however, these States made efforts to increase their revenues through better collection, minimisation of tax evasion, increase in tax rates and coverage, etc, and hence their projected yields from sales tax were greater than the amount received from additional excise duties. But during the period as a whole, they have benefitted from the scheme to the extent of Rs 261.96 lakhs, Rs 71.60 lakhs and Rs 11.09 lakhs respectively. Second, there are certain States such as West Bengal, Mysore, Kerala and Bihar which had a shortfall during all the years. In these States the increases in the expected revenues from sales tax on these commodities were always greater than the revenue obtained from the additional excise duties. Lastly, there are those States which benefitted in some years and had a shortfall in other years. This category includes Bombay, Madhya Pradesh, Andhra Pradesh, Orissa, Punjab and Madras. The former two were in an advantageous position in 1958-59 and 1959-60 but in 1960-61 and 1961-62, they could not obtain even the projected yields of sales tax revenue from the additional excise duties. During the period as a whole, they have received an excess sum of Rs 174.69 lakhs and Rs 47.08 lakhs, respectively. Andhra Pradesh, Punjab and Madras benefited only in 1958-59 and Orissa in 1958-59 and 1959-60. During the period as a whole, these States had shortfalls of Rs 51.06 lakhs, Rs 142.0 lakhs, Rs 27.58 lakhs and Rs 76.04 lakhs respectively. (See Table 3.)

Uneven Impact

From the foregoing analysis, it may be concluded that West Bengal, Mysore, Bihar, Kerala, Orissa, Punjab, Madras and Andhra Pradesh did not gain from the levy of additional excise duties during the 5 years period.

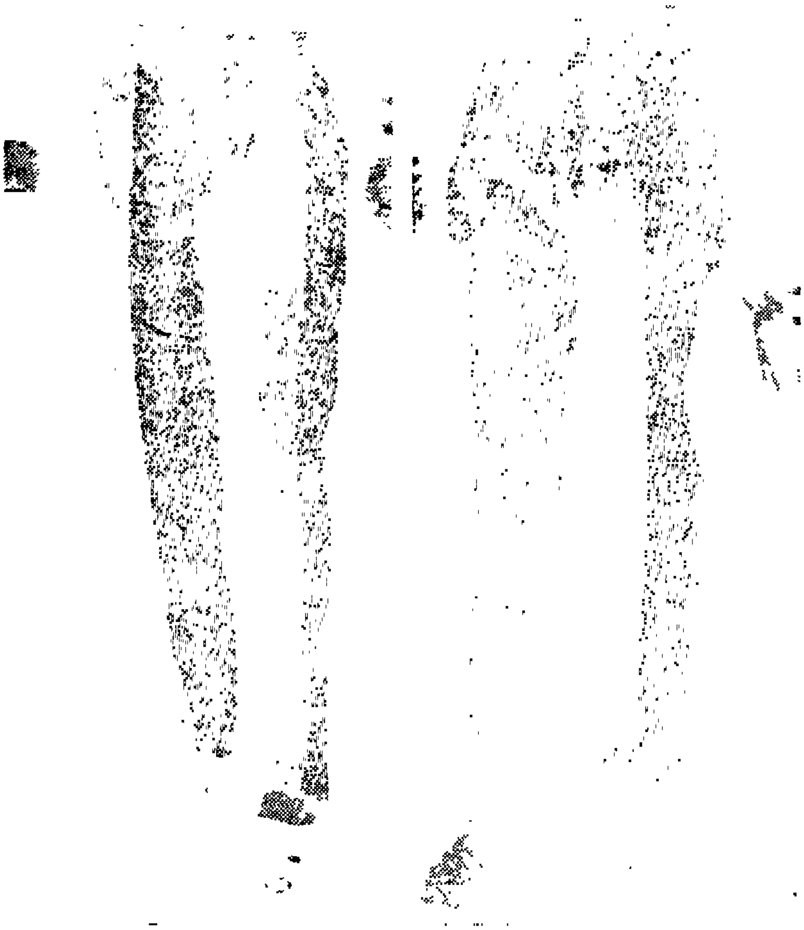
Table 3: Excess or Shortfall of Receipts of States from Additional Excise Duties Compared to Projected Sales Tax Revenue

(Rs lakhs)

State	1958-59	1959-60	1960-61	1961 62	Total excess or deficit
Category (A)					
Assam	+7.03	+21.83	+0.44	18.21	+11.09
Rajasthan	+37.22	+31.38	+11.86	—8.86	+71.60
Uttar Pradesh	+209.43	+114.05	+32.65	94.17	+261.96
Category (B)					
Madhya Pradesh	+70.25	+45.27	—24.92	—43.52	+47.08
Bombay	+195.02	+145.90	—24.23	—142.0	+174.69
Punjab	+24.67	—20.80	—51.12	—94.74	—27.59
Andhra Pradesh	+61.81	—2.76	—35.33	—74.78	—51.06
Madras	+41.56	—4.22	—58.96	—105.97	—76.04
Orissa	+16.45	+2.15	—30.32	—64.30	—142.0
Category (C)					
Mysore	—6.1	—17.22	39.89	—57.60	—120.81
Bihar	—1.85	25.61	—59.70	—69.58	—156.74
Kerala	—2.03	28.45	—60.71	—86.77	—177.96
West Bengal	—33.92	—48.94	—112.11	—141.16	—336.13

Note: The Statewise distribution of the Additional Excise Duties has been calculated on the basis of the guaranteed amount and the percentage fixed for each State by the Finance Commission, 1957. It does not include the amount transferred to Union Territories and the State of Jammu and Kashmir. This does not affect our calculation because the sales tax amount also does not include the revenue collected by Union Territories and the State of Jammu and Kashmir.

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Among these States, West Bengal, Mysore, Bihar and Kerala had shortfalls in all the years, while Punjab, Andhra Pradesh and Madras secured excess revenue in 1958-59 and Orissa in 1958-59 and 1959-60. The other States i, e, U P, Assam, Rajasthan, Madhya Pradesh and Bombay have obtained, on the whole, an additional sum from the substitution of sales tax by additional excise duties. It is significant to note that during the year 1961-62 all the States received less than their expected revenue from sales tax on these commodities. The varying impact on different States further points to the inequitable nature of this change.

The principles followed by the Second and Third Commissions were vehemently criticised by some States which urged that the guaranteed amounts should be revised periodically. A re-examination of the claims of the States regarding the modification of guaranteed amounts is appropriate at this stage. Before suggesting any revision in the amounts, it would be better to discuss the various proposals made by the States to the Commission in this direction. Firstly, the States urged that the guaranteed amounts should be revised to incorporate the increase in rates of sales tax effected by them after the amounts guaranteed had been fixed. Secondly, not only the revenue currently collected but prospective revenues should also be taken into account in determining the guaranteed amounts. Lastly, the Commission should make an estimate of the possible losses sustained by the States during the past 5 nears period as a result of the surrender of sales tax and they should be further compensated for such losses. The above arguments of the States were rejected by the Commission on three grounds. First, a re-opening of the matter would only complicate a settled issue and create problems which are best avoided. Second, such an examination would be outside their terms of reference. And, last, determination of payments to States on the basis suggested by them would be impracticable considering the data now available.[10]

Inter-State Sales Tax Council

A detailed analysis of Table 2 indicates that the guaranteed amounts have become out of date and it would have been better if the Third Finance Commission had gone into detail in regard to the revision of the guaranteed amounts instead of leaving them at the level recommended by the Second Finance Commission. The Commission did not attach much importance to the States' bold and decisive steps, during these years, to enhance their sales tax revenues through various measures such as stepping up tax rates, expansion of coverage of commodities, etc. Even if we do not give any weight to these steps, the guaranteed amounts should be adjusted on the basis of the increased production of these goods. The method that should really be followed for fixing the guaranteed amount should take into account the increased output of these commodities, the enhancement of tax rate and coverage, better collection, eradication of tax-evasion, tightening of administrative machinery and the rise in price. An Inter-State Sales Tax Council, as recommended by Taxation Enquiry Commission (1953 54), should be set up and the whole problem should be entrusted to it.[11] When Bihar, Madras, Mysore, Orissa, Punjab, Andhra Pradesh and West Bengal have increased their revenues during this period, their guaranteed amounts should have been revised and fixed at a higher level. This would have provided stimulus to all the States (those who increased their collections and those who did not) for enhancing their future normal revenues. The present guaranteed

Table 4: Ratios for Distribution of Excess Collection of Additional Excise Duties; Distribution of Population; and Sales Tax Collection

State	Ratio for the Distribution of Excess Collection of Additional Excise Duties after Paying Guaranteed Amount			Distribution of Population (Percentages)			Collection of Sales Tax Revenue (Percentages)		
	Second Finance Commission	Third Finance Commission	Excess or Deficit over Second Finance Commission	1951	1961	Increase or Decrease over 1951	1957-58	1960-61	Increase or Decrease over 1957-58
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	7.81	7.25	— .06	8.56	8.34	—.42	8.21	8.10	— .11
Assam	2.73	2.50	— .23	2.53	2.75	+.22	2.04	1.75	— .29
Bihar	10.04	10.00	— .04	10.86	10.78	—.08	4.67	6.66	+1.99
Bombay	17.52	16.00	—1.52	13.52	13.94	+.42	32.18	27.10	—5.08
Kerala	3.15	4.25	+1.10	3.79	3.92	+.13	4.20	5.70	+1.50
Madhya Pradesh	7.16	7.00	— .16	7.30	7.51	+.21	4.29	4.54	+ .25
Madras	7.74	9.00	+1.26	8.40	7.80	—.60	11.80	12.10	+ .30
Mysore	5.13	5.25	+ .12	5.43	5.46	+.03	4.24	5.14	+ .90
Orissa	3.20	4.50	+1.30	4.10	4.08	—.02	1.70	1.98	+ .28
Punjab	5.71	5.25	— .46	4.52	4.71	+.19	4.29	4.71	+ .42
Rajasthan	4.32	4.00	— .32	4.47	4.67	+.20	2.75	2.34	— .41
Uttar Pradesh	17.18	15.50	—1.68	17.71	17.10	—.61	8.95	7.40	—1.55
West Bengal	8.31	9.00	+ .69	7.37	8.11	+.74	10.69	12.48	+1.79

Note: (i) The population and sales tax collection figures for 1960-61 for Bombay include those for Maharashtra and Gujarat States.

(ii) The sales tax revenue of 1960-61 has been taken for comparing the increase/decrease over 1957-58 because the Commission which submitted its report in December 1961, may have taken this figure and not the 1961-62 year figure.

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amounts of the States which did not enhance their revenue appreciably (Assam, Rajasthan and U P) should not be reduced to compensate the increase in the guaranteed amounts of the other because even these States have started increasing their sales tax collections from 1961-62. The Central Government should be ready to bear the small additional burden.

As an alternative to an inter-state council, the next Finance Commission should take into account the above mentioned factors in revising and fixing the guaranteed amounts. If this is done it would remove the opposition of the States and make it possible to extend the scheme to more commodities, if desired.

Finance Commission's Recommendations

It would be proper, at this juncture, to examine how far a change in the ratios of the States as recommended by Third Finance Commission is based on scientific principles and whether proper emphasis has been given to increase/decrease in the sales tax revenue and population for ascertaining the ratios of the States. Table 4 reveals that the shares of Kerala, Madras, Mysore, Orissa and West Bengal have increased, the greatest benefit going to Orissa and Madras. On the other hand, the shares of UP, Bombay, Punjab, Rajasthan, Assam, Madhya Pradesh and Bihar, in the distribution of excess collections have dwindled. Among the latter group the greatest fall has occurred in the case of U P and Bombay.

Among all the States whose population has decreased as a proportion of the national total, only the ratios of Orissa and Madras have been enhanced. If we compare the ratios of Kerala, Mysore and West Bengal with those of Orissa and Madras, some shortcomings in the method of fixing the shares come to light. In the case of the former States, the percentage of population has increased by 0.13, 0.3 and 0.73 in 1961 over 1951 and the sales tax collection by 1.50 per cent, 0.90 per cent, and 1.79 per cent in 1960-61 over 1957-58 respectively. As against these States, the percentage of population decreased by 0.02 and 0.60 and sales tax collection increased by 0.28 per cent and 0.30 per cent in Orissa and Madras, respectively, in the same period. But the shares of the former States have increased only by 1.10, 0.12 and 0.69 per cent as against an increase of 1.30 and 1.26 per cent in the case of the latter respectively. Thus inspite of a fall in the percentage of population and of lower increase in the sales tax revenue, the shares of Orissa and Madras have gone up more than those of Kerala, Mysore and West Bengal.

Let us now take the case of States whose shares in the distribution of excess collection over guaranteed amounts have declined inspite of an increase in the percentage of population and collection of sales tax revenue. MP and Punjab may be cited in this context. In Punjab, the percentage of population and of sales tax revenue increased by 0.19 and 0.42 in these years respectively, but its share has declined by 0.46 per cent. The population of MP increased by 0.21 per cent and sales tax revenue by 0.25 per cent but its ratio also dwindled by 0.16 per cent. It indicates that the policy followed in the case of Kerala, Mysore and West Bengal was not adopted uniformly in the case of Punjab and Madhya Pradesh. A comparison between the percentage changes in the population and sales tax collection of Bihar on one hand and Madras and Orissa on the other, throws some more interesting light on the policy followed by the Commission. In Bihar the percentage increase in sales tax revenue was the highest during the period among all the States and the percentage of population declined slightly more than in Madras and Orissa but the ratio of the latter two States increased by 1.26 per cent and 1.30 per cent respectively as against a decrease of 0.04 per cent in the case of Bihar. It thus appears that no uniform policy was adopted and followed by the Commission in adjusting the ratios of the different States for distribution of excess collection of excise duties over the guaranteed amounts.

If we take into consideration the projected yields of sales tax, it is evident from the above analysis that the States as a whole have lost as a result of the substitution of additional excise duties for sales tax on textiles, sugar and tobacco. Different States, however, have been affected in varying degrees. Assam, Bombay, MP, Rajasthan and UP have been benefited, while the other States have received less than what they would have received by way of sales tax. Even such States as have on the whole benefited by the change did not stand to gain in 1961-62. The guaranteed amounts fixed by the Second Finance Commission and endorsed by the Third Finance Commission had become out of date on the eve of Third Commission. The policy formulated for revising the ratios of the different States for distributing the excess collections over guaranteed amounts was not adopted and followed uniformly for all the States. The next Finance Commission should revise the guaranteed amounts taking into account the increased production of these commodities, enhancement of tax rate and coverage, better collection, minimisation of tax-evasion, the rise in prices, etc, and follow a uniform policy in fixing the ratios in which the excess over the guaranteed amounts is distributed.

Notes

1 Following this, the Additional Duties of Excise (Good of Special Importance) Bill, 1957, was introduced. It finally received the assent of the President and became law on December 24, 1957.

2 Before April 1, 1957 sales tax was not levied by the State of Jammu and Kashmir. There is, therefore, no question of determining its guaranteed amount. But the incidence of additional excise duty will also fall on the people of this State. That is why a fixed percentage has been recommended.

3 The Commission estimated the guaranteed amounts of each State on the basis of consumption and used the population figures as a corrective device. The present income and the ratios for distributing the excess over guaranteed amounts of each commodity has also been given separately for each State. The various sources for ascertaining the present income have been mentioned. For detail see: Govt of India, Report of the Finance Commission, 1957, pp 60-63.

4 The Orissa Taxation Enquiry Committee, under the Chairmanship of Dr P S Lokanathan, examined the problem and came to the conclusion that extension of the scheme to some more commodities will definitely be in the interest of the State Government and hence recommended that sales tax on tea, coffee, matches, paper, cement and vegetable products should be replaced by additional excise duties. The Committee did not favour the view that sales tax should in time be replaced altogether by Central Excise. (*Vide* Govt of Orissa: Orissa Taxation Enquiry Committee Report, Cuttack, 1961, page 85). In 1963, Dr Lokanathan, while reviewing the sales tax system of Andhra Pradesh, recommended the substitution of sales tax by additional excise duties on commodities which are now subject to Central Excise duties (see Dr P S Lokanathan: Sales Tax System in Andhra Pradesh: A Review, New Delhi, Feb 1963, page 19).

5 The Southern India Chamber of Commerce, Madras, feels that if sales tax could be amalgamated with the Union Excise Duty, diffi-

culties arising out of checking of accounts, submission of returns, etc could be minimised and one set of accounts and returns with all its attendant formalities would be sufficient. (Report of the Southern Indian Chamber of Commerce, Madras, Jan-Dec, 1961, p 43.)

[6] Govt of Bombay: Report of the Sales Tax Enquiry Committee, 1957-58, page 16.

[7] Prof S Kesava Iyengar remarks that "The process of centralising financial powers has gone very far and State Governments have lost more or less completely all incentives and initiatives". ("A Decade of Planned Economy," 1961, p 310). Dr R N Bhargava also reiterates the same view that over the last decade of planning the dependence of the States on the Union has been increasing ("Indian Public Finance," 1961, p 41).

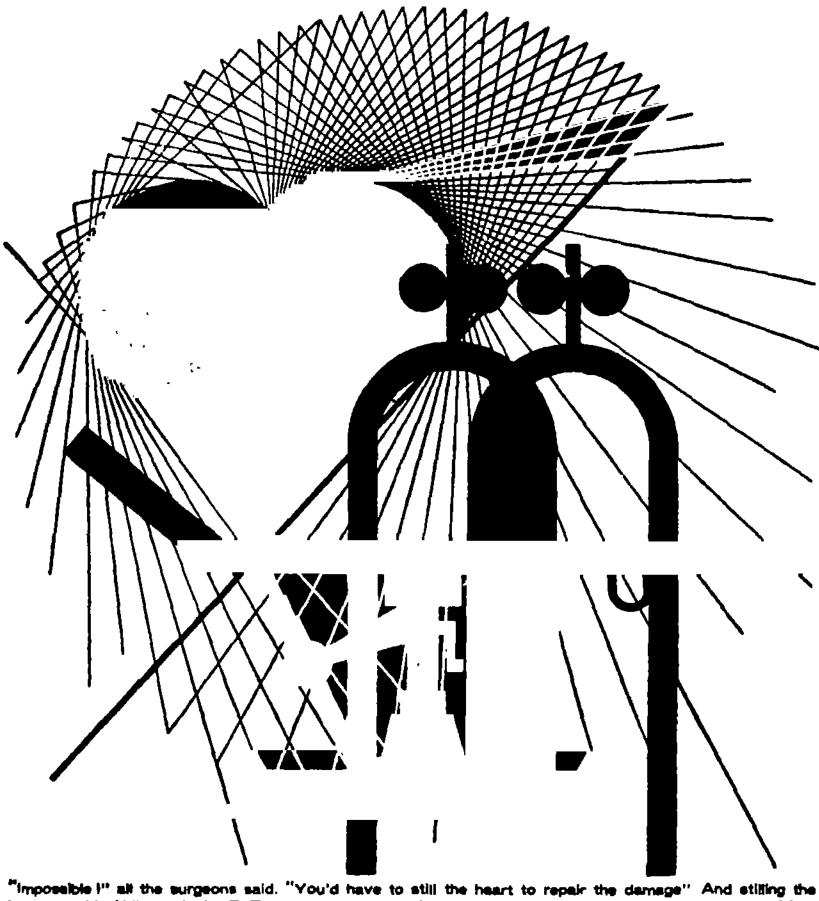
[8] In 1951-52 Central Government contributed 29.41 per cent of the total expenditure on revenues and capital accounts of the States. The percentage increased to 49.1 and 52.0 in 1954-55 and 1961-62 respectively (*vide Reserve Bank of India Bulletin*, April 1963, p 450).

[9] Bombay Sales Tax Enquiry Committee, *op cit*, p 17.

[10] Report of the Finance Commission, 1961, page 26.

[11] Dr Lokanathan has suggested that an Inter-State Committee should be constituted to review biennially the price rise effect on revenue from excise duties and the shares of the States should be adjusted accordingly. See: "Sales Tax in Andhra Pradesh—A Review", *op cit*, p 15.

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Commissions of Inquiry
Their Limitations

J B Monteiro

The inquiry by the Das Commission into allegations of corruption and misuse of power by the ex-Chief Minister of Punjab has once again focussed attention on the limitations of investigations conducted under the Commissions of Inquiry Act.

First, the initiative in the appointment of a commission of inquiry rests entirely with the executive. It is not an unwarranted presumption that the executive will not institute an inquiry into its own actions—that is what most inquiries are—unless forced to do so by strong outside pressure.

Second, it is open to the executive to define the terms of reference of a Commission in such a manner as to defeat, to the maximum extent possible, the purpose of the inquiry.

Further, under the Commissions of Inquiry Act the executive is not obliged to make public the findings of Inquiry Commissions.

Nor are the findings binding on the executive. The executive's response may vary from outright rejection of an inquiry report to slack corrective action—taking advantage of the shortness of public memory.

THE public inquiry made into the allegations against Sardar Pratap Singh Kairon by an ex-Chief Justice of the Supreme Court, Shri S R Das offers an interesting case study of the utility and limitations of an inquiry set up under the Commissions of Inquiry Act, 1952. Inquiries under the Act may be instituted into individual grievances, as in the well-known Crichel Down case in Britain. Or, the Act may be used to inquire into serious shortcomings in administration — e g, the Denning Inquiry into the Profumo-Keeler affair and the inquiries conducted in connection with the LIC-Mundhra scandal. The inquiry by Shri S R Das was into allegations of political corruption.

In India, *ad hoc* inquiries—which is their popular description—are more likely to be used for the latter two purposes, though in discussing their utility and limitations we cannot exclude any other purpose from consideration. Section 3 of the Commissions of Inquiry Act makes it clear that a Commission of Inquiry may be appointed by the appropriate Government for the purpose of "making an inquiry into any definite matter of public importance and performing such functions and within such time as may be specified in the notification."

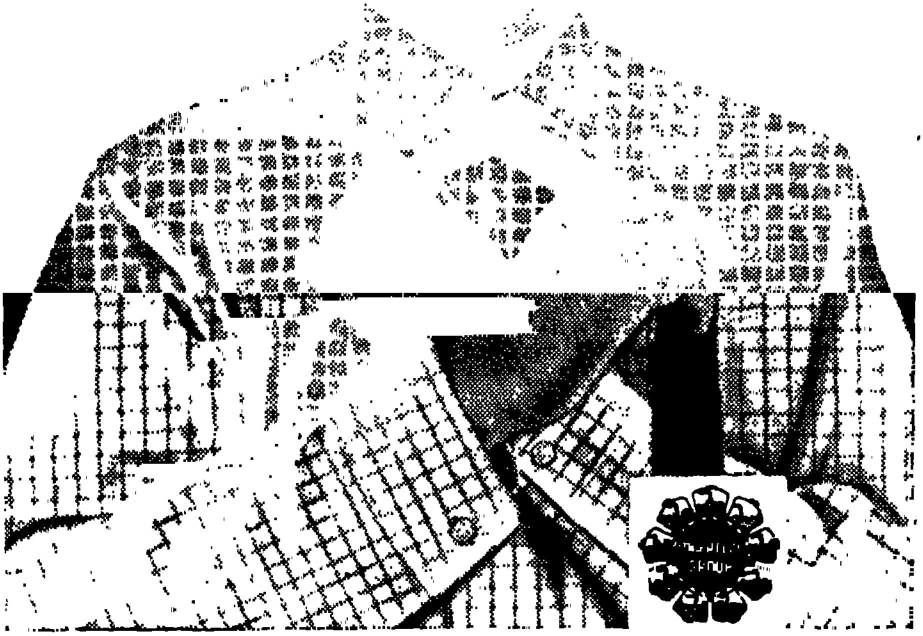
The Act confers on the Commissions constituted under it wide powers which include, in addition to those of a civil court, powers to require any person, subject to any privileges he may claim under the law, to furnish relevant information on the subject matter of the inquiry and to enter any building and seize any books of accounts or documents or take extracts or copies therefrom. As to procedure, according to section 8 of the Act, "the Commission shall, subject to any rules that may be made in this behalf, have power to regulate its own procedure (including the fixing of places and times of its sittings and deciding whether to sit in public or in private) and may act notwithstanding the temporary absence of any member or the existence of a vacancy among its members."

Scope of Inquiry

The scope of an Inquiry Commission has been well described by Shri Das in the Kairon Inquiry Report (p 18). The inquiry to be made by the Commission differs from a civil litigation or a criminal proceeding before an ordinary court of law. In a civil action, there is a plaintiff and a defendant and a *lis* or issue between them which the plaintiff may choose to abandon. In a criminal case, there is a prosecutor and an accused and a charge which the prosecutor may withdraw, with or without the permission of the court as prescribed in the Code of Criminal Procedure. In both cases the issue or charge has to be determined in the court by a judgment or order which becomes binding and enforceable as between the parties.

In an inquiry under the Commissions of Inquiry Act, however, there is no plaintiff or prosecutor, there is no defendant or accused and there is no *lis* or charge to be adjudicated upon by the Commission by a judgement or order which will be binding and enforceable. In short, the Commission is not expected and, indeed, is not competent to finally adjudicate upon any issue or charge or pronounce any judgment or order which will be binding and enforceable. Its function is only to inquire and to report to the appropriate Government. In other words, the Commission is a machinery set up by the appropriate Government to inquire into a definite matter of public importance, to collect such relevant material as it may and make a report to the Government, containing its own views, on the basis of such materials so as to inform the mind of the Government and to enable it to take such action as it may in the circumstances think fit.

The rationale and utility of the device of the Commission of Inquiry has been well argued by Lord Chancellor Viscount Kilmuir while defending in the House of Lords the Tribunals of Inquiry Act 1921, on which our Act is modelled, during the debate on the Waters Tribunal in 1959: "Let me state quite shortly the argument for some such procedure as the present. The sanction of the public inquiry is necessary on occasions for the purpose of maintaining a high standard of public administration and, indeed, of public life. The modern system has developed in consequence of the inadequacies of the machinery of inquiry by Select Committee, on the one hand, and limitations of the ordinary process of law, on the other. The ordinary processes of law are geared to a charge or claim brought by one person against another. They do not fit when it is necessary to discover what has actually happened before the responsibility of or between individuals can arise, and.... there are other fields, such as wreck inquiries, inquiries into accidents, courts of inquiry on the Services and the Committee of Privileges of the House of Commons, where the inquisitorial procedure is a necessary concomitant of their work. In all those cases, the question of discovering what has actually happened is of prime importance ... After the true facts have been found and stated it may be neces-



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sary to stigmatise conduct which, although not a criminal offence or a civil wrong, falls short of requisite standard of our public life. It may be necessary to kill harmful rumours which are found to be unjustified. It may be necessary—and this I am sure is very much in the minds of the Government who introduced this measure—to restore public confidence in public conduct and administration. These ends may well be of much importance to life and nation as to justify means which inflict hardship on individuals."

The Supreme Court has explained the importance of the findings of the Commission of Inquiry in Shri Ram Krishna Dalmia vs Justice S R Tendolkar and others thus: "The whole purpose of setting up a Commission of Inquiry consisting of experts will be frustrated and the elaborate process of inquiry will be deprived of its utility if the opinion and advice of the expert body as to the measures the situation disclosed calls for cannot be placed before the Government for consideration notwithstanding that doing so cannot be to the prejudice of anybody because it has no force of its own. In our view, the recommendations of the Commission of Inquiry are of great importance to the Government in order to enable it to make up its mind as to what legislative and administrative measures should be adopted to eradicate the evil found or to implement the beneficial objects it has in view."

The Das Commission's Inquiry into the allegations against Sardar Pratap Singh Kairon has brought to light certain shortcomings of the inquiry procedure. First, the initiative in the appointment of a Commission rests entirely with the executive. It is not an unwarranted presumption that the executive will not take this initiative to inquire into its own actions—that is what most inquiries are—unless forced to do so by strong outside pressure. Such pressure may come from the Press, a group of determined individuals or opposition legislators. The charges against Kairon, which in many cases were found to be true by the Das Commission, were first presented to the executive in 1959. But the late Prime Minister preferred a Congress Party inquiry and satisfied himself that the charges were baseless. He drew attention to this inquiry and its findings while announcing the appointment of the Das Commission. The first paragraph of the Memorandum submitted to the President by those who framed the charges against Kairon reads as follows: "being highly aggrieved by the misdeeds and blatant acts of corruption and gross misrule of the present Punjab Chief Minister, Sardar Pratap Singh Kairon, and being further aggrieved by the partisan handling by the present Prime Minister, Shri Jawaharlal Nehru, of the series of complaints containing documentary proof, (we) approach the President of India with this Memorandum praying for a public inquiry ."

Loopholes for the Executive

Even while announcing the inquiry Pandit Nehru made an elaborate statement, the burden of which was that there was no need for an inquiry, and that, in any case, Sardar Kairon was indispensable to the Punjab, but that there were some people who insisted on having an inquiry and they had approached the President directly and that, therefore, the Government had been forced to have an inquiry. The Government's reluctance to appoint a Commission of Inquiry was equally obvious in the Malaviya-Serajuddin affair. The Opposition Member of Parliament who had levelled the charges against Shri Malaviya went so far as to offer to resign his seat in Parliament if his charges were proved false, before the inquiry was conceded.

The executive can dodge the demand for an inquiry till its hands are forced. Then comes the question of the Commission's terms of reference where again there is much scope for executive mischief. The Das Commission's task was to enquire into the charges made in the Memorandum submitted to the President. The Commission was confronted with a vital phrase in the Memorandum; it was required to interpret the words 'and his family' occurring therein. Two interpretations were suggested: Pratap Singh Kairon's family and Surindar Singh Kairon's family. The Commission accepted the former, remarking. "It must be remembered that the Memorandum is not a statute, deed or other legal document which must be construed strictly. It is neither more nor less than a catalogue of grievances against Sardar Pratap Singh Kairon and should, therefore, be read and understood as an informal document in that light. The language employed in this inartistic document must be construed according to its apparent tenor and intention."

The Committee on Administrative Tribunals and Enquiries appointed in the U K faced the same difficulty. Being limited by its terms of reference to those disputes between the individual citizen and authority in which formal machinery for appeal or review before final decision already existed, the Committee stated in its report: "But over most of the field of public administration no formal procedure is provided for objecting or deciding on objections —it may be thought that in these cases the individual is less protected against unfair or wrong decisions. But we are not asked to go into questions of maladministration which may arise in such cases." As a result, even the Crichel Down case, which gave rise to the inquiry, fell beyond the terms of reference of the Committee.

This is a serious limitation. Can the executive be allowed to set the terms on which it is to be judged? Accepting that it is the function of the executive to act in these matters, cannot some device be thought of whereby an inquiry into some matter of vital public importance is begun with fairly rational terms of reference? In the Kairon inquiry the Das Commission has interpreted the Memorandum submitted to the President in the most meaningful manner and to general satisfaction. But even so is it not odd that a Commission should function on the basis of a 'catalogue of grievances' and an 'inartistic document?' Perhaps it may be possible to have a brief discussion in Parliament on the terms of reference of a commission and the views expressed there taken into account before finalising them.

The publication of reports submitted by Commissions of Inquiry also leaves scope for executive mischief. On the conclusion of the Denning inquiry there was lot of speculation about whether the report would be published. Luckily the Report turned out to be less damaging to the Government than was feared and Mr Macmillan made political capital by publishing it immediately.

When the Das Commission was set up Pandit Nehru went out of his way to draw a comparison between the Das inquiry and the Denning inquiry to emphasise that they were of a 'private' nature and the question of publishing the findings was kept open. In fact, when the Das Commission submitted its report Shri Lal Bahadur Shastri initially brushed aside demands that it should be published, arguing that action on the report was more important. Public opinion, however, prevailed and Shri Gulzari Lal Nanda released the report almost in a hurry. In the earlier Malaviya-Serajuddin affair all that the public and the Parliament got to know was that on some of the charges Shri K D Malaviya was found guilty; there was no indication of the gravity of these charges.

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That is the serious shortcoming of a 'private' inquiry. Referring to this, the Denning report says: "It (a Commission of Inquiry) has the advantage that there can be no dissent, but it has two great disadvantages: first, being in secret, it has not the appearance of justice; second, in carrying out the inquiry, I have had to be detective, inquisitor, advocate and judge, and it has been difficult to combine them." Again, "my inquiry is not a suitable body to determine guilt or innocence. I have not the means at my disposal. No witness has given evidence on oath. None has been cross-examined. No change has been preferred. No opportunity to defend has been open." Shri K D Malaviya also cited the last ground to argue that he was not guilty even though he was resigning from the Government. It is necessary, therefore, to re-examine the utility of the 'private' inquiry whereby judges can be used for political purposes by the executive. If the executive does not move in the matter the judges themselves should act by refusing to take up such work. It cannot but harm the status of the judiciary if the people come to feel that the judges are allowing themselves to be used by the executive.

Even public inquiries end with the submission of the Commission's report, leaving the executive to act on the findings. The executive's behaviour may vary from outright rejection of the findings to slackness in corrective action. The British Labour Party Leader, Mr Harold Wilson, has said that a Commission of Inquiry enables the Government to buy Parliamentary time, avoid discussion till the Commission has reported and then ignore the matter playing upon the shortness of public memory. At the end of his report, Lord Denning has said: "My findings will, I trust, be accepted by them (public) as a full and sufficient vindication of their (the persons involved) good name. It is, I believe, better for the country that these rumours should be buried...". By the same token, is not the Government obliged to accept the unfavourable findings of a Commission?

Referring to the conditions prevailing in India, Chief Justice Gajendragadkar, in his inaugural address at the centenary celebrations of the Advocates' Association of Western India, called for the establishment of a convention "whereby reports made by judges at the end of their inquiry under the Commissions of Inquiry Act should normally be accepted...... We come across instances in which the report elaborately made by a judge is sent to an executive officer for his scrutiny, and the note by the officer becomes the basis of the Government's decision. Usually the Government announces its decision in a laconic manner and indicates broadly what conclusions of the judge it has accepted wholly or partially and what conclusions it ha srejected. If it is felt that certain questions are required to be determined in a judicial or quasi-judicial manner, and they are, therefore, entrusted to the inquiry of a sitting judge, considerations of propriety require that normally the findings and recommendations of the judge should be accepted by the Government. What the Government does is not a matter of significance to the judge himself, what is relevant and material is the impact of Government's action on the basic and essential postulates of the rule of law."

Fate of Naik Report

This was precisely the fate of the report submitted by Justice Naik on the bursting of the Khadakvasla Dam in July 1961. The Government appointed an officer to submit his notes on the report and in taking its decision, the Government did not accept all the findings of the Commission. Further, when the report was published, some vital mistakes crept into the printed copies which were such that they would have negatived what Justice Naik wanted to say. The handling of the Naik report is said to have led to protests from the Chief Justice to the Government.

Even in the case of the Das report, the Education Minister, M C Chagla, took on the task of clearing Shri Brish Bhan from the strictures of the Das Commission. This led to the following telegraphic protest by a Member of Parliament: "Learn with regret that Das report is being scrutinised by Mr Chagla, Education Minister. No right to sit in appeal over the finding of ex-Chief Justice of the Supreme Court. This will cause alarm and consternation in the country. Pray accept findings of the Das Commission as final."

Under the public inquiry procedure, in the personnel of the Commission are combined the roles of prosecutor, advocate and judge. In the Kairon case, whether for tactical reasons or in a spirit of civic duty, the Memorialists took over the role of prosecutors. But it need not be so and, as Lord Denning confessed, the judge may find it difficult to combine all the functions. The combination may, besides vitiate the authority and impartiality of the Commission's findings. It is, therefore, necessary to examine whether we cannot have a prosecuting counsel to conduct the inquisitorial role in the name of the judge. In France the Commissioner of Government does this work for the *Consiel d'Etat.* In America Senate investigations have the assistance of attorneys and the latter have done excellent work. Some such modification in the procedure will also lessen the burden of the Commission.

The purpose of an inquiry must to some extent determine the procedure followed. It is to be doubted if the procedure now followed by public inquiries is at all suitable for investigating allegations of corruption. The Das report says: "The Commission has, throughout this Inquiry, constantly borne in mind the two cardinal principles which have made our laws and administration of justice noble and which bar the way to tyranny and arbitrary Government. These principles are:

(1) That an individual must be presumed to be innocent until the contrary is proved beyond reasonable doubt by dependable evidence freely and publicly ascertained or by the irresistible probabilities of the case; and

(2) that no individual shall be condemned on suspicion, however, strong.

In arriving at its conclusions the Commission has, therefore, demanded the high standard of proof which our laws enjoin before it has accepted any allegation, however emphatically asserted, as evidence on which it could safely rely and confidently act.

In the arduous and trying task of holding the scale of justice even as between the contending parties, the Commission has spared no pains to ensure that justice is not only done but also appears to have been done."

These are fine principles and no one can dispute them. But for the particular purpose of unearthing corrupt practices, these methods are unsuited. This is affirmed by the Santhanam Committee on Corruption. It is not suggested that public inquiries are without value. They are an elaborate and expensive procedure — the Vivian Bose Commission cost the Exchequer Rs 1,55,000 — designed to deal with major scandals. It is, doubtless, an instrument which must be available for use in cases of major public importance where the investigation is likely to be difficult and complicated. But every attempt has to be made to maintain the authority and prestige of public inquiries by not abusing the procedure. Even the use of judges outside the Commissions of Inquiry Act, but for allegedly similar purposes, may diminish the prestige of the institution.

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Indian Payments Problem

The Case for Devaluation: Another View

M V Sastri

Devaluation may be suggested as the solution to the Indian payments problem, not because the payments deficit is due to any over valuation of the rupee, but because devaluation, in its impact, roughly amounts to, and on practical considerations may also be preferable to, measures that really seem to be called for in the current situation.

[The author is grateful to Professor Jagdish Bhagwati for going through an earlier draft of this paper and commenting on it. Thanks are also due to Dr B S Minhas and Dr K Krishna Murthy for making suggestions for improvement. Such errors as remain are the author's responsibility.]

N extended argument is not necessary to show that currency overluation is not unequivocally indicated emergence of an import surplus that luation or lowering the rate of over and above the expected inflow foreign resources. Such import surus could just as well be the outcome an effort to generate economic owth at a rate that is in excess of e maximum attainable, given do- estic and foreign resources. Now if is truly is the case with India, deluation is not the way out of our yments problem. The correct, if untractive, solution would be cutting own the rate of economic growth to commensurate with available do- estic and foreign resources.

If, on the other hand, the import rplus exists along with a degree of ade regulation that is less than optium, overvaluation of currency is ain not indicated and, for that reaon, devaluation on grounds of over luation or lowering the rate of owth would be equally out of order. endering trade regulation optimum what is called for, choosing an ap- opriate way of doing so. It can in ct be that devaluation itself is the st *modus operandi* for that purpose our present context, but that does ot justify any inference that the upee is now overvalued.

Bhagwati's Thesis

These remarks have relevance to the iscussion on devaluation that has een going on in this country inter nittently for quite some time now. wo years back, Professor Jagdish hagwati provided the most vigorous rguments in favour of devaluation of he Rupee to deal with the persistent nbalance in India's external account.[1] s for the timing of devaluation, he uggested that 'we should wait until he impact of the ECM becomes clear. he UK is widely expected to devalue s soon as the terms of her probable ntry are clear and we must wait ntil then since two changes are more lifficult to recommend than one.'[2] Earlier also he had expressed his preference for devaluation over other alternatives and thought that, 'if Britain devalues in the course of the next year or two, then 'the opportunity could be taken to devalue more than sterling'.[3]

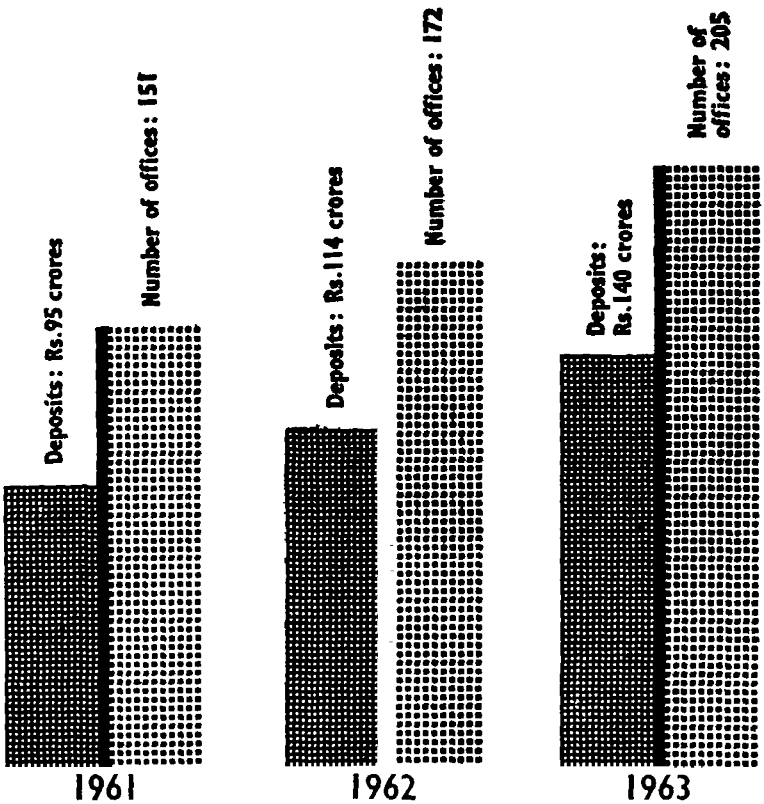
Thus, as of 1962, there was a case, according to Bhagwati, for devaluation of Rupee with respect to sterling also. The context in which that measure was suggested continues to obtain even now, despite a somewhat better export performance on the part of India subsequent to 1962. Whether the impact of the ECM has become any clearer may be arguable, but UK being kept out of ECM for many more years has now become a near certainty. If Labour Party wins in this year's General Elections, UK's economic isolation in relation to the ECM would become a matter on which there need not be a shade of doubt. In the last few months UK's external account has been far from strong, but it is unlikely that it would resort to devaluation to deal with what, after all, might be a transient difficulty. For these reasons, if the case for devaluation is as strong as Bhagwati felt, we may have to 'go it alone' and the sooner the better.

As Bhagwati pointed out in his reply to Professor A K Das Gupta's comments[4] on his case for devaluation, this case can be best appreciated if read along with his full length article in the *Oxford Economic Papers*.[5] It is significant that in neither of the two articles, does Bhagwati categorically say that he favours devaluation because the Rupee at the current exchange rate is over-valued (as per certain criteria), though this is the underlying assumption of his analysis. This is important because if it can be shown that the Rupee is over-valued on the basis of some explicitly mentioned criteria, then and then alone does the case for devaluation follow. Those who differ from Bhagwati can do so, in that case, only on the ground that the criteria, used to judge whether the current rate is equilibrium rate or not, are questionable. 'The Indian policy makers prefer to balance their payments', says Bhagwati, 'with an *apparently* overvalued exchange rate supported by import restrictions'. The use of the word 'apparently'[6] and the absence in his writings of criteria to determine the equilibrium exchange rate, seem to show that Bhagwati himself is not quite willing to say unequivocally that the Rupee is overvalued.

Preferable on Practical Considerations

The discussion between Bhagwati and his critics[7] has centered round whether devaluation can in fact *work* in the Indian context, and Bhagwati has given an impressive set of arguments as to why it would. We argue below that devaluation may have to be resorted to in our context, not because the present payments problem is necessarily due to over-valuation of the Rupee, but because devaluation roughly amounts, and may also be preferable, on practical considerations, to steps that really seem to be called for in the current situation.

The main purpose of Bhagwati in his OEP article was to establish the superiority of a system of export-subsidies-cum-exchange auctions over one of 'inefficient export subsidies programme combined with import restrictions', as he described, rightly, the current system in his later article.[8] Quite naturally, his scheme of things provides for tariffs on infant industry grounds.[9] The export subsidy programme corresponds to 'the desired degree of devaluation'.[10] A little later, he described it as one that is 'sufficient to generate the supply of exchange necessary to maintain capacity utilization.'[11] These two descriptions of the export subsidy programme that he recommends imply his faith that there is *some* degree of devaluation which would definitely ensure, via export promotion, the supply of exchange that is needed for capacity utilization; but since govern-



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ment may be against devaluation rather irrationally, so goes the argument, an equivalent export subsidy may be extended.

Genesis of Payments Problem

This faith in devaluation is developed in the course of a highly illuminating analysis of the genesis of the Indian payments problem. 'If foreign aid can be utilized only in the specific form of capital goods', says Bhagwati, 'then it is quite possible that its acceptance would generate a demand for imports of materials and semi-manufactures exceeding in value the exchange earned by traditional exports'.[12] That seems to be the *crux* of the matter. 'If the rate of investment that is possible is...limited by the possibility of transformation (of exportables into importables) through trade, political pressures would develop for the grant of foreign aid which, as supplementing the supply of investment goods, would raise the ceiling on feasible investment.'[13] It may be added here that such foreign aid would not come before the aid givers convince themselves that earnings through traditional exports have been already committed otherwise. And foreign aid is normally not assured to cover import requirements arising out of outlays which themselves are the result of aid.

What is the solution to this? Says Bhagwati, 'in this case, if the exchange rate were allowed to depreciate, new exports would arise, earning the exchange to import materials which would then be allotted, at higher *prices, among rival material* using sectors.'[14] He reiterates this faith thus: 'the ideal policy.. with the demand for importing materials exceeding the supply made available through export earnings is to devalue the exchange rate.'[15] That he wants to see that the imbalance is dealt with, not by lowering demand for exchange, but by making its supply larger through export promotion is clearly seen from these statements and the general tenor of his writings. Thus when he says, 'export promotion is made necessary by overvaluation',[16] he only means that, if only the par value is lowered, there *will* be no longer any need for *deliberate* efforts to promote exports, since new exports would emerge without such efforts.

It is necessary to make clear from where the new exports are expected to emerge. But by 'new exports' is certainly not meant export of commodities produced all along. For, if traditionally produced commodities can be exported through devaluation, it should be accepted wholeheartedly.[17] But what is sought here is the best means of promoting exports from newly-started industries.

As shown above, export subsidy takes the place of devaluation in case the latter, which really is the solution, is not accepted, in Bhagwati's scheme. But can it not be said that export subsidies may be favoured, not as a substitute for devaluation, but on the same grounds which justify tariffs on imports? 'Why not accept', asks Professor Das Gupta, 'the simple and straightforward device of export subsidy to "infants" ?'[18] 'It can be reasonably claimed', feels Sir Donald MacDougall, that the "infant industry" argument applies, *mutatis mutandis*, to infant export industries, of which there are many in India.'[19] Bhagwati himself says some such thing in his discussion of the relative merits of starting a machine tools industry and a rayon industry when he says that 'if rayon happens to be the industry in which the (infant industry) external economies obtain ..the net result could even be to make an export subsidy (on rayon) the optimal policy.'[20]

Infant Industry Argument

Whether the infant industry argument justifies export subsidies, as Bhagwati seems to feel in the above illustration, is not clear. But leaving aside the external economies argument, one may say, as Bhagwati himself does elsewhere, that the existence of internal economies (to be yet reaped) will itself justify protection. 'If either firms or those who finance them have a preference for streams of returns which are stable over time rather than varying, even though both represent the same discounted current value .surely this provides a bias against new infant industries which justifies protection.'[21] This would justify tariff protection in the case of import substituting industry and, by the same token, export subsidy for infant export industry.

It is, of course, true that protective tariff as well as protective export subsidies should be imposed without reference to the balance of payments current at any moment. Deficit in balance of payments, however, seems to be an eminently appropriate occasion to see if all such *justifiable* restrictions have *already* been imposed or not. And, in a given situation, it may be possible to reduce imbalance (at any rate) by imposing optimum restrictions, if they have not been imposed already. We can only agree with Bhagwati that 'once the degree of trade restrictions that is considered on these (externalities, etc) grounds has already been adopted, a devaluation becomes preferable to tariffs '[22] or other methods provided trade restrictions include export subsidies on infant industry grounds also. Is it not therefore necessary to consider carefully *if this optimum export subsidy* has already been extended to the new industries (producing non-traditional exportables) which are all infants of varying ages, before deciding whether devaluation *also* is needed to deal with imbalance in payments?

Exchange Auctions

Let us now look at the system of exchange auctions which is a novel suggestion, Bhagwati made in his CEP article (Shenoy also has suggested this independently). We will recall that export subsidy for him is in *lieu* of that degree of devaluation which would, through export promotion, make available a supply of exchange that would be sufficient for capacity utilization. His reformed scheme proposes export subsidy *and* exchange auctions to be introduced simultaneously. Thus at the time of making the reform, it is presumed that we know the degree of devaluation needed and so desired. Or else, we cannot impose an *equivalent* export subsidy. What exactly is the eventual purpose served by exchange auctions? 'An exchange auction system, continued over a reasonable length of time would give one' says Bhagwati, 'a clue to the extent to which the exchange rate is currently overrated,'[23] so that depreciation thus indicated may be made later! An exchange auction system will develop a premium only if there is no subsidy for exports concomitantly or if the simultaneously introduced export subsidy does not succeed fully in earning enough exchange for capacity utilization.[24] Likewise the deflationary effect of exchange auctions also would be there only if export subsidy is absent or has limited success. One may be tempted to suggest that, if devaluation is contemplated eventually, exchange auctions unaccompanied by export subsidy may be tried to get a clue as to the extent of overvaluation, but the effect of the announcement of such a system may be disastrous.

What deserves more serious consideration is the merit of an exchange auction-cum-export subsidy as a permanent feature relative to that of de-

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valuation, and not of the former as a prelude to the latter. Das Gupta's view was that export subsidy itself would serve the purpose at the present juncture. And if export subsidy makes greater supply of exchange available, and on this Bhagwati and Das Gupta seem to agree, the attractiveness of exchange auction, on grounds of its deflationary effect, is limited to the interregnum between the time of imposition of export subsidy and the time its edifying results make themselves felt. For, along with the increasingly greater supply of exchange, revenue out of auctions tapers off. There does not seem to be any case for auctions of exchange for so temporary a benefit, though on other considerations (allocation effect, etc) it may be preferable to the existing system.

If genuine infant export industries are chosen for export subsidies, such subsidization itself will be stopped after a time as they are self-liquidating. Thus the inflationary effects of export subsidies and deflationary effects of auctions are passing phases, even if considered in isolation. If the *ceteris paribus* assumption is relaxed (as it should be in an analysis aiming at policy prescription), the general budget policy can take care of these tendencies even during this temporary phase.[25]

Blanket Protection

But discussion of the deflationary or inflationary significance of auctions, subsidies or devaluation is really secondary in the problem and has only a negative significance. While it is clear that protective export subsidies programme would be really the proper policy for India, it is full of difficulties. First, international economic institutions are against export subsidization. (Exchange auctions programme also forces this difficulty). But then this may not be a great hurdle since *anything* may be done within the terms of these institutions, so to speak, given sufficient ingenuity. Second, the decision as to which industry is infant and how much protection is needed is a difficult one. In a country like India, one can argue that practically every industry is an infant industry, and half the industries may be export infants also![26] Would it not be, therefore, better to afford a blanket protection for all infants by devaluation, even if this results in undervaluation of the currency, and safeguard exports with inelastic demand by export duties?

The point we make here is that there is nothing in the development of new export industries that makes it necessary to depreciate the currency in an effort to promote such new exports. But still on practical grounds, devaluation may be suggested, even if existing rate does not show overvaluation, because the task of choosing industries for, and deciding the extent of, export subsidies is extremely difficult in practice.

Notes

1 See (1), (5) and (7). In (2) also, he expressed his preference for devaluation, but doubted if government would be rational enough to adopt the measure.

2 (5), p 1583.

3 (2), p 68.

4 (4).

5 (2).

6 (2), p 55, emphasis supplied

Professor Bhagwati writes to me that since he says that devaluation brings additional gain, it means he implies Rupee is overvalued and that he wrote the word 'apparently' because of the emotive connotation acquired by the word 'overvalued'. But my contention is that the fact that devaluation brings gain (as I my self feel it would) does not warrant the conclusion that the Rupee is currently over-valued.

7 See (3), (4), (5), (6) and (7).

8 (1), p 1265.

9 (2), p 55; also (5).

10 (2), p 61.

11 (2), p 67.

12 (2), p 57.

13 (2), p 56.

14 (2), p 57.

15 (2), p 58.

16 (2), p 67

17 Professor Bhagwati points out to me that in his writings, "I stated that price appeared to be relevant even to some of the other traditional exports (in the light of Prof Manmohan Singh's forthcoming book)." This means that the Rupee is overvalued *also* in the strict sense. I agree that extra import surplus may be *in part* so explicable and a corresponding degree of devaluation called for.

18 (3), p 1446.

19 (8), p 165.

20 (2), p 57.

21 (9), p 346, n 21.

22 (2), p 55.

23 (1), p 1265.

24 (1), see p 1265.

I have ignored here, says Bhagwati, what according to him are the likely effects on side of imports. He has, it is true (See (7)), expressed optimism that import requirements are not rigidly fixed as is thought generally, and that once over-valuation is corrected for, entrepreneurs will be deterred to some extent by the higher prices of imported materials and would develop domestic substitutes. I have two remarks to make on this:

First, if that were so, there is no reason why Bhagwati should call for devaluation of a degree that would ensure enough exchange is *earned* for capacity utilization unless he implied earning includes saving also.

Second, if saving of exchange is so implied, then it shows optimism of a high order. Imported materials are in fact being sold at soaring black market prices and yet, rather than develop domestic substitutes, entrepreneurs have allowed idle capacity to continue. Expecting that mere formalizing of *de facto* situation (either through devaluation or exchange auctions) would somehow develop domestic substitutes is, I am afraid, a bit too sanguine!

25 See (3) and (5).

26 See (10), p 314

References

(1) J Bhagwati, 'The Case for Devaluation', *The Economic Weekly*, August 4, 1962, pp 1263-66.

(2) J Bhagwati, 'Indian Balance of Payments Policy and Exchange Auction Policy, *Oxford Economic Papers*, February 1962, pp 53-68.

(3) A K Das Gupta. 'Export Promotion through Devaluation', *The Economic Weekly*, September 8, 1962, pp 1446-47.

(4) P K Bardhan, 'The Case against Devaluation', *The Economic Weekly*, September 8, 1962, p 1448.

(5) J Bhagwati, 'More about Devaluation', *The Economic Weekly*, October 6, 1962, pp 1581-84.

(6) A K Das Gupta, 'Devaluation (letter to the Editor), *The Economic Weekly*, October 27, 1962, p 1839.

(7) J Bhagwati, 'Devaluation', (letter to the Editor), *The Economic Weekly*, December 1, 1962, p 1839.

(8) G D A MacDougal, 'Indian Balance of Payments', *Bulletin of the Oxford University Institute of Statistics*, May 1961, pp 153-177.

(9) J Bhagwati, 'Theory of Comparative Advantage in the Context of Underdevelopment and Growth,' *Development Review*, Autumn 1962.

(10) I G Patel, 'Trade and Payments Policy for a Developing Economy'; a Paper in International Trade Theory in a Developing World'. Harrod and Hague (Ed).

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Use of Labour on the Small Farm

Prafulla C Sarkar

*To explain the observed fact of higher productivity on small farms, three economists have advanced different labour-based explanations.**

By a process of deductive reasoning they have all tried to establish that small farms use more labour than big farms.

An attempt is made below to examine the soundness of this hypothesis.

WHEN one confronts three features of farms of different sizes namely, higher output per acre on small farms, increased use of labour on the small farms and no difference in capital labour ratio by farm size, one is free to choose among three different steps of reasoning to proceed with.

(1) The higher output per acre is a function of the higher input of labour per acre—the other factors varying in the needed proportion as labour.

(2) The higher output per acre is a function of the higher input of capital—the labour factor varying in the needed proportion as capital.

(3) The higher output per acre is a function of the higher non-conventional inputs—the conventional inputs, viz. labour and capital varying in the needed proportion.

None of the economists referred to appear clear about the existence of these three alternatives. If they were, they would have liked to explain their reasons of their implicit or explicit choice of the first.

Mazumdar's Thesis

Dipak Mazumdar's choice of the first alternative is explicit. He, however, prefers the words "more or less in the same proportion" to the words "in the needed proportion".

Mazumdar then argues, before presenting his formal theoretical analysis, that so long as any hired labour is used, the marginal supply price of labour to the farm will be given by the ruling wage rate and consequently the input of labour would be carried to the same point in farms of various sizes, so long as the production function is the same. This argument is clearly fallacious. Consider a small farm that utilises two man-days of hired labour and fifty man-days of family labour to raise a certain crop X. Is any economist under any obligation to believe that these two hired man-days are chronologically used last? In other words, is there, any reason to think that these hired man-days are used near the equilibrium point?

Amartya Kumar Sen overlooks this aspect of the argument. Instead he takes the position that all small farms may not use hired labour. For this the assumption of spreading the average is exceptionally misleading, much more so than in the case of the quantitatively significant inverse relation between size averages of wide classes of farms based on size-wise stratification.

Work and Wage

In order to show that the supply price of the marginal unit of labour used is higher for larger farms than for smaller ones Mazumdar resorts to a theory that relates the wages of a unit of labour to the amount of work-time put in by it. He then finds the function connecting the marginal supply price of a work-unit to the number of work-units supplied as that of a kind that produces a higher marginal supply price of labour as the number of work-days supplied increases.

I have the greatest difficulty in accepting a rising supply function for our agricultural labourers particularly in the existing level of wage-rates. But to climb further up Mazumdar's ladder of logic, let us assume for the sake of argument that a positive relationship exists between the marginal supply price of effort and the volume of effort. Let us also assume, following Mazumdar, that whereas hired labour gets only its marginal product, family labour will get more than its marginal product because part of the rent element accrues to it.

These two assumptions lead Mazumdar to a conclusion that if the function connecting supply of effort and earnings is the same for hired labour and family labour, the supply price of family labour is less than that for hired labour. If this is his position then he should have used two higher and lower rising curves to show that the labour input will be larger on smaller farms if the latter do not employ any hired labour at all.

The Rent Element

Instead, he takes wage for hired labour as determined (according to his own theory of determination). He uses, in other words, a horizontal curve for hired labour and a rising curve for family labour. In such a situation it cannot be proved at all that with the same production function labour input will be larger in smaller farms if the latter do not employ hired labour.

If he takes the wage of hired labour as given, there is no reason why he should not treat similarly the price of family labour, because family labour and hired labour are mixed up in the market.

A word about the rent element. The argument relating to the rent element gets a little strong if it can be shown that every small farm has but one working member to work on own farm or outside. When a farm has more than one worker, additional workers are clearly exposed to the opportunity of working throughout outside the farm and at the same time earn the rent on the farm. When a farm has only one worker he frequently leaves his own farm to earn even during the busy season. The earnings of the rent element, therefore, provide no genuine basis to assume that family labour will be cheaper than hired labour.

From what is said above, it is clear that Mazumdar's assumptions of a horizontal curve for hired labour and of a rising curve for family labour are untenable and mutually inconsistent.

* *Dipak Mazumdar:* "On the Economics of Relative Efficiency of Small Farmers", *The Economic Weekly*, Special Number, July 1963.

Amartya Kumar Sen: "Size of Holdings and Productivity", *The Economic Weekly*, Annual Number, February 1964.

"Size of Holdings and Productivity: A Reply" *The Economic Weekly*, May 2, 1964.

Ram Gopal Agarwala: "Size of Holdings and Productivity—A Comment", *The Economic Weekly*, April 11, 1964.

Supposing that they are not, how can we utilise these two curves to show that in the slack season the marginal supply price of labour is higher in the larger farms? If the season is slack the horizontal curve of hired labour may move bodily below its position in the busy season. Even if it does not, or is not allowed to move, it is not possible to accept the proposition that A_2 is lower than A_1. I do not mean that it cannot be shown by any kind of reasoning that the marginal cost of labour during the slack season is lower than that during the busy season. *I only failed to understand that* Mazumdar's analysis leads us even to that.

The confusion is clear from Mazumdar's statement that for the same volume of labour, the marginal input of labour on the larger farms is made up with a rather larger proportion of hired labour than in the smaller farms. *This is the sum of Mazumdar's* argument to establish that during the slack season or during a particular month

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;inal cost of labour in the wage-d farms is higher than the margi-cost of labour in the family farms. azumdar has misconceived the no-of marginal input. Marginal input abour need not have the contents oth hired and family labour mere-,ecause the farm in question uses hired and family labour. Econo-s theorising on the equilibrium of employment might assume the loyment of one kind of labour as tant and look for optimal employ-t of the other kind.

mgopal Agarwala's Argument

ithout its mathematical garment, .gopal Agarwala's argument boils n to this: In the large farm the cost of labour is given by the -rate multiplied by the total num-of labour units employed and the ;inal cost is equal to the wage- For the family farm the total of labour over the year is given he fixed cost of maintaining the ly throughout the year plus the of hiring some units of labour ng the busy season. Because the ortion of hired labour is less on mily based farm the marginal cost e of labour facing the family farm ower than that facing the large ı.

garwala's assumption of the fixed of maintaining the family might · been less objectionable for cer-classes of families. But in our st income farm families this cost xceedingly variable. If a member uch family gets work he eats, if work is exacting he eats more, if loes not find work he eats less or not. His cost of food depends on work available. (This should not confused with Mazumdar's func-relating price and volume of ef-. In the next place, there is ing to bar members of a family ı from working outside. What ds in their way of earning in out-employment and employing hired ur on their own farm?

Amartya Sen's Hypothesis

ompared to the foregoing hypothe-Amartya Kumar Sen's hypothesis the low opportunity cost of lab-particularly at the slack season ices the marginal cost of labour in small farm and hence, assuming ıer things" as given, employment abour will be greater on the small ı is simpler and theoretically ıder. In the context of open and uised unemployment the appeal of 's hypothesis is particularly great. he real difficulty is that members of the small farm do not compute op-portunity cost in the way Sen does. So long as there is some employment in the neighbouring or even in more remote areas, whether in the farm sector or in the non-farm sector, he will never accept that the probability of his getting work is less than one and stop looking for work. The con-cept of probability, in other words, can be emperically used only in res-pect of the behaviour of the entire large number to which it applies.

It may, of course, so happen that in his endeavour to find work a mem-ber of a family farm loses many a labour day. Yet he may get work for some days, however small may be their number. If he is lured by these incomes, then his opportunity cost need not be taken as equivalent of the wage-rate multiplied by a quantity less than one. In other words, in Sen's system of concepts, the probability must be taken either as zero or one. Any intermediate value is not valid. But I have shown elsewhere that even though there is no theoretical difficul-ty in conceiving a situation where this probability is zero, the cost of family labour can never fall to zero. How-ever, Dr Sen himself rules out the possibility that p is equal to zero. His concepts of probability of getting a job and of opportunity cost are thus not helpful in explaining the lower marginal cost of labour on small farms.

Common Defect

The common defect of all these ap-proaches is that they ignore that capi-tal labour ratio remains more or less the same in farms of varying sizes. Mazumdar recognises it but in his ex-planation of higher labour employ-ment on small farms he assumes the productivity conditions in farms of varying sizes as uniform. If we find that the total amount of employment of labour (summing up all crop enter-prises) is higher on the small farm but there is no difference in the capital labour ratio we cannot stick to the sameness of the composite production function or of Sen's "other things".

One reason, for example, why high-er productivity conditions may prevail on the small farms sample is that these farms offer scope for raising relatively numerous crops. If the meaning of fertility is extended to cover this, then undoubtedly the help of the fertility factor can be sought to explain the increased use of labour on the small farm.

Two possible reasons can be put forward for this kind of higher ferti-lity on the small farms. In the first place, lands which offer scope for more crops have higher market value than lands which do not. So with the same resources one can purchase less of a multi-crop land but more of a single crop land. In the second place, when a farm disintegrates through generations of distress selling the in-fertile lands may be sold out first, and the core of fertile land may re-main.

Varying Local Conditions

But none of these two causes of "fertility" appear plausible. It, there-fore, needs to be emphasized that in order to measure the relative efficiency of farms of different sizes a sample has to be designed in an altogether different way. Two sub-samples of the same size—one for the small farms and the other for large farms can be compared. Further, no single district, two neighbouring districts even less, can represent a distinct soil-climate-crop complex. The district of 24-Par-ganas, for example, can be divided into at least as many as fifteen producti-vity belts depending on the economic and non-economic factors bearing on farming. If two sub-samples of equal size are drawn from each of these productivity belts it might be esta-blished that higher consumption of labour input is occasioned more by common local conditions rather than by the smallness of the size. Finally, it appears quite probable that some of the relatively larger farms with both single crop and multicrop lands have shown their farms split into several bits for the purpose of pre-venting any possible action by the Government

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ɔund Bombay Markets

Encouraging Performance

Thursday Morning

ꟷHE mood has changed. The stock market has begun to pulsate ı life. Turnover has increased ap- ꞉iably and there are indications speculators from outside markets e started taking quite a lively in- .st in the stock market. The in- or and the speculator are belated- realising that equities have been ıpletely ignored when almost ·ything else has participated in the ɜtionary boom which has assumed ıacing proportions. Impression is ɟually gaining ground that the ıp in equities had been overdone that the main reason for the p fall in equities had been the ɹvourable psychology created by ɟ protests by few influential per- ꞉ against the tax changes in the Budget. It is now being argued ˑ with the setting up of the Unit st the Government has become y aware of the depressed state of capital market and of the need to ore it to a healthy position.

hri Krishnamachari's speech on occasion of the inauguration of Industrial Development Bank tains a message of hope and ꞅr for investors. The return which genuine investor gets, says TTK, to be adequate and commensur- with the period of waiting. A ernment which attaches import- e to a more widespread and used ownership of industry in the ate sector must think of ways of ouraging even people of limited ıns to become holders of equity ꞉k. And further, there is no escape ı a policy of encouraging larger ngs in the corporate sector which a key role to play in the develop- ıt of the economy. All this indi- ꞉s that the Government is anxious re-establish firmly the cult of ity. And the stock market has ꞅy reason to feel happy over it.

ʼhat is not all. Corporate news tinues to be encouraging. There ıs fair chances of an upward re- on in cloth prices, though New hi has still to make up its mind the recommendations of the Cot- Textile Consultative Board for ıpping the present scheme of vol- ary price control on cloth and for ꞈosing statutory control over the duction and prices of popular varieties produced by composite mills. Market's expectations in respect of Tata Steel dividend have been fully realised, though it is not much impressed by the company's performance during 1963-64. While the turnover has gone up from Rs 99.53 crores to Rs 110.44 crores, the gross profit has recorded only a small increase from Rs 22.21 crores to Rs 23.64 crores. All the same shareholders are happy over the increase in the dividend from Rs 11 to Rs 12 a share. The stock market bull can also take comfort from the U S credits totalling Rs 18 crores to help the expansion of the Indian automobile industry. The encouraging response to the units offered by the Unit Trust will lead to further demand for sound scrips. And if the demand from the Unit Trust is maintained at a satisfactory level, it is a quite likely that the market will become bare of good stocks in the not-very-distant future. This is bound to accelerate the pace of the upward trend in equities in course of time.

Dalal Street made further headway last week. Technical considerations, however, induced substantial profit-taking near the week-end. Bears also took a chance and pressed sales. The overall trading pattern of the market holds out the promise of the uptrend being resumed after small technical adjustments. The market has already recovered a little more than half the ground lost after the February Budget.

Oilseeds

Policy For Edible Oils

ACCORDING to a recent PTI report, a spokesman of the Commerce Ministry has stated that there had been no export of edible oils in the last two months owing to their high prices and that for the same reason there would be no export of edible oils during the next six months. The reported official statement is a gross misrepresentation of facts. Export business in groundnut oil has been going on all these months; it cannot be said to be at a complete standstill even at present and fairly large commitments are known to have been made for distant shipment. That the Government, which has been desparately trying to boost exports completely unmindful of pressing domestic requirements, should feel apologetic about the good export performance seems rather surprising. Apparently, the official statement (misstatement might be more appropriate) is intended to be an answer to mounting criticism that the rise in the prices of groundnut and its products to all-time high levels is due very largely to export of groundnut oil on a very large scale. Groundnut oil exports during 1963-64 totalled 97,000 tons against 57,000 tons in 1962-63 and the performance during the current year is unlikely to be less impressive unless the Government makes some important modifications in the export incentive scheme.

The Bombay Oilseeds and Oils Exchange and the Indian Oil and Produce Exporters' Association made a joint representation to the Government for an immediate ban on export of groundnut oil in order to check the rising trend in oilseeds prices. Exports have no doubt aggravated the upward trend in oilseeds prices but that might not by itself be decisive point against exports. It is not on that score that New Delhi's export policy for groundnut oil is to be criticised. A more pertinent question is whether the export policy has not been designed especially for the benefit of certain vested interests. The bulk of the total export business in groundnut oil is accounted for by half a dozen shippers and their success is not because of their being more enterprising than others but because of the peculiar nature of the export incentive scheme, linking export of oil with import of copra and palm oil which puts soap manufacturers in a decisively advantageous position.

Vanaspati Prices

Export of groundnut oil on a large scale—exports during the 1963-64 season are likely to reach one lakh tons—has been an important reason for the rise in oilseeds prices. But there are other factors too and they are no less important. Vanaspati manufacturers have remained very keen buyers of groundnut oil all the time and they have been progressively

bidding up oil prices because they have been finding little difficulty in marketing their product at rising prices. Within a little over a month, *the price of vanaspati has been raised* from Rs 46.53 to Rs 54.45 per tin of 16.5 kilograms. Vanaspati prices and groundnut oil prices have been chasing each other to the utter dismay of the poor consumer. Essentially, the rising trend in prices of vanaspati and groundnut oil reflects the chronic shortage of edible oils and the effective answer to the problem of high prices lies in increased production which must take time. In the short run, the supply will have to be augmented through imports. It is somewhat comforting to learn that New Delhi is trying hard to persuade Washington to make available nearly one lakh tonnes of soyabean oil and tallow under P L 480. Such large import of soyabean oil can have a significant impact on the general trend in oilseeds prices. Another point which deserves New Delhi's serious attention is the trend in edible oil prices abroad. Huge purchases of groundnut oil by Russia and certain Asian countries, notably Burma and Malaya, mostly for Communist China have imparted marked strength to the oil prices abroad. New Delhi will be well advised to review the export incentive scheme in the light of recent developments abroad. In any case, export of groundnut oil can be allowed to exceed a certain limit only at the risk of causing an alarming rise in prices in the domestic market.

After a further early rise, oilseeds prices last week suffered a moderate setback. Groundnut ready Karad Bold eased from Rs 64 to Rs 62.50, groundnut oil from Rs 25.50 to Rs 24.50, groundnut expeller from Rs 509 to Rs 492, extraction from Rs 430 to Rs 418, linseed Bold from Rs 48.25 to Rs 48, castorseed from Rs 36.86 to Rs 36 and castor oil Commercial from Rs 15.30 to Rs 14.70. While the setback could be purely in the nature of a normal technical correction in a rising market, sentiment last week was affected by favourable weather reports from all the important groundnut producing areas, fear of official action to curb prices, prospect of import of soyabean oil and tallow from the U S under P L 480 and possible restrictions on further export of groundnut oil. Since oilseeds prices are standing at the highest levels ever recorded, it is quite possible that prices might develop an easier tendency under the influence of favourable weather. Activity in futures was limited and the general tone at the week-end was subdued. Castor futures eased from Rs 181.50 to Rs 179.75 and closed a little better at Rs 180.25. Linseed futures drifted idly between Rs 44.84 and Rs 44.62. Cottonseed futures were slightly steadier around Rs 104.50. In view of the considerable rise in prices, the Reserve Bank of India has imposed a minimum margin of 50 per cent on scheduled banks' advances against vegetable oils (including vanaspati) and raised the margin on advances against oilseeds (excluding groundnut and cottonseed) from 40 per cent to 50 per cent.

Export houses did not mention any important export business last week. Groundnut extraction were also relatively inactive and overseas quotations were down by about 10 shillings per ton over the week-end-the latest U K quotation being around £38-5 for July-August shipment. Castor oil did not evoke any keen interest. Linseed cake was also neglected. Business in cottonseed cake continues to be normal.

Cotton

Futures Irregular

AFTER a small early setback from Rs 739 to Rs 734 cotton futures rallied to Rs 741.25 but quickly eased to Rs 736.50 before winding up the week at Rs 738.25. With the maturity period drawing near, sentiment in futures is being guided as much by the weather news as by ideas about tenders in August—the last contract of the season. Conditions in the spot market being what they are, prospects of large tenders against the August contract are generally discounted. But to what

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R. B. Shah
General Manager

extent the bulls would like to exploit the situation is difficult to say. Fluctuations in the August contract are likely to be guided mainly by the ability and willingness of bulls to absorb goods that might be tendered against the contract.

The weather news continues to be encouraging. Except for certain parts of Vidarbha where excessive rains are reported to have necessitated re-sowings, conditions elsewhere have been almost ideal. But even in Vidarbha resowings will only delay the crop and not affect its size. Of course, it is much too early to talk about the new crop as it depends almost entirely on the progress of the monsoon. All that one can say at present is that the new crop will have to be substantially bigger than the 1963-64 crop if the industry's requirements are to be fully met without having to depend on foreign cotton in a big way. Imports of 6 lakh to 7 lakh bales have become normal in any case.

The Government is anxious to bring about an appreciable increase in cloth output which is lagging far behind the Plan schedule. Efforts are being made to encourage the industry to step up its capacity and also production. Cotton and not machinery is likely to prove the main hurdle in raising cloth output in coming years. The Cotton Textile Consultative Board has recommended the scrapping of the present scheme of voluntary price control on cloth and the imposition of statutory controls over the production of popular varieties of cloth produced by composite mills. New Delhi has still to make up its mind on the Board's recommendations. The turnover in the spot market has been rather restricted and confined to selected lots. Good quality cottons are difficult to secure and they are quoted almost around the ceiling prices. Export houses reported fairly good business in Bengal Deshi, mostly with Japan, and total sales to-date are placed around 2.65 lakh bales.

Futures trading in the 1964-65 crop contract is expected to be resumed towards the end of July. There has been no notable change in the terms and conditions of the new contract, except that the board of the East India Cotton Association has recommended to the Forward Markets Commission to fix the ceiling for the March contract at 775 instead of the statutory ceiling of Rs 798, until the contract enters the delivery month.

Money Market

Thursday morning:

THE inter-bank call money rate slumped to three quarters per cent at the beginning of the current week from 2.25 per cent a week ago. By mid-week it declined further to half per cent. The sharp fall is no doubt seasonal and the obvious result of a sizable return flow of funds into the banking system.

Bank credit as on June 26 contracted by Rs 10.74 crores while aggregate deposits rose by Rs 20.61 crores. The increased resources have enabled scheduled banks to bring their borrowings further down to Rs 1.22 crores and increase their liquid resources. Their cash and balances with Reserve Bank swelled by Rs 11.22 crores to Rs 160.09 crores, raising the cash deposit ratio from 6.31 per cent to 6.72 per cent. Their investments in government securities also rose by Rs 21.57 crores whereby the investment-deposit ratio has gone up from 26.83 per cent to 27.51 per cent. The swelling flow of funds was also reflected in a rise of Rs 10.40 crores in "moneys at call and short notice".

Between June 26 and now, the short term money rate has declined from 2.25 per cent to 0.5 per cent. The Reserve Bank's statement as on July 3 shows that scheduled banks' borrowings from the Reserve Bank declined further to a mere Rs 30.50 lakhs. Though scheduled banks' deposits with the Reserve Bank were lower by Rs 5.60 crores it may be presumed that the banks would have increased their case resources to meet beginning-of-the-month requirements.

Tenders for Treasury Bills on July 7 attracted as much as Rs 4.50 crores against Rs 2 crores invited, and the rate of discount fell further from 2.994 per cent to 2.500 per cent. Intermediates offered between July 1 and July 4 attracted Rs 6.70 crores. All this would seem to indicate a sizable increase in the resources of scheduled banks *accounting for the current easiness* in the call loan market.

The prevailing conditions in the money market augurs well for the success of the new loan issues of Central Government opening on July 13 (See page 1119).

The Reserve Bank's statement as on July 3 shows that active notes have sharply risen by Rs 17.42 crores. This may be due to the usual beginning-of-the-month demands. Note issue on that account has not, however, gone up, but on the contrary has contracted by Rs 16.57 crores. The entire amount of Rs 33.99 crores has been supplied by the Banking Department. Rupee coins of the value of Rs 1.55 crores have flown out of the Issue department. Therefore the net inflow of Rs 15.02 crores of currency into the Issue Department has been followed by a withdrawal of Rupee securities of a like amount from that department.

The Central Government's deposits have fallen during the week by Rs 19.15 crores and those of State Governments by Rs 1.25 crores. Loans to governments, however, have gone down by Rs 17.05 crores.

Scheduled bank's deposits are lower by Rs 5.60 crores but their borrowings are also down by Rs 83 lakhs and are now at a paltry figure of Rs 30.50 lakhs. Deposits of State Co-operative banks show a rise of Rs 2.58 crores but their borrowings have substantially increased by Rs 18.19 crores. 'Other deposits' have risen by Rs 27.17 crores during the week.

Foreign balances have continued to recede, the decline during the week amounting to Rs 9 lakhs. Foreign assets now total Rs 96.52 crores.

During the week a sum of Rs 13 crores has been added to the National Agricultural Credit (Long-term Operations) Fund and Rs 1 crore to the National Agricultural Credit (State Bank) Fund. A sum of Rs 10 crores is newly provided for the National Industrial Credit (Long-term Operations) Fund.

Change of Address

With effect from June 15, 1964 the offices of 'The Economic Weekly' have moved to Co-operative Insurance Building, Sir Pherozeshah Mehta Road, Bombay-1. All communications should be sent to this address.

Our telephone No 253406, however, remains unchanged.

A FERNANDES
Business Manager

Business Notes

Metal Box

CONTRARY to the pessimistic note struck last year by Shri M K Vellodi, Chairman of the Metal Box Co of India, about the Company's prospects for the year ending March 31, 1964, the Company's working results have turned out to be favourable. Sales have shot up by Rs 2.00 crores to Rs 14.08 crores and profits have risen by Rs 30.50 lakhs to Rs 154.10 lakhs But the fears of the Chairman proved correct in that taxation has risen from Rs 79 lakhs to Rs 92.50 lakhs. Nevertheless, profit after tax was higher by Rs 13.50 lakhs at Rs 92.50 lakhs.

As balance brought in from the previous account was much less during the year, amounting hardly to Rs 38,785 as against Rs 29.83 lakhs, the disposable amount stood less at Rs 62.49 lakhs (Rs 74.48 lakhs). This has inevitably led to a sizable cut in the appropriation to General Reserve which got only Rs 9 lakhs as against Rs 39.50 lakhs in the previous year. But development rebate reserve has had to be raised by Rs 6 lakhs to Rs 8.50 lakhs. Appropriation to dividend has also been raised to Rs 43.47 lakhs from Rs 30.59 lakhs, the paid-up capital of the Company having been doubled in March 1964 from Rs 1.61 crores to Rs 3.22 crores. An interim dividend of 90 P per share of Rs 10 has already been paid on the old equity capital and now a final dividend of 90 P has been declared on the increased capital. This compares with a total dividend of Rs 1.90 per share declared last year on the old capital.

The Chairman in his statement circulated with the Annual Report has stated that the Company throughout the year had to put up with an irregular supply of raw materials. The availability of raw materials, especially tin plate and polyethylene, will determine the extent to which the strong demand for the Company's products can be met. Value of consumer packages produced in 1960-61 amounted to Rs 107 crores and the value of goods marketed under such packages was Rs 2870 crores. By 1965-66 it is estimated that goods requiring packing material will be worth about Rs 6620 crores and about Rs 213 crores worth of packing materials will be required. Shri Vellodi has, therefore, urged that in view of the ever increasing demand for scientific packaging the country should develop an international standard of packaging and presentation of its consumer products in order to succeed in world markets. This point is all the more important because India is already exporting annually some Rs 28 crores worth of packaged consumer goods to almost 60 countries. The Chairman has, therefore, welcomed the move of the Government to establish an Institute of packaging in the country with the object of assisting Indian exporters. Metal Box has established its own research facilities for the development of packaging and for training technicians and has made its assistance available to small and big industrial units to enable them to expand their home sales and export markets.

Metal Box claims to have increased its exports by 33 per cent to Rs 28 lakhs during the year. Exports of domestic hardware and publicity materials increased by 55 per cent and machinery sales rose by 100 per cent.

In this connection, the Chairman is of the opinion, that India requires a minimum import of 75,000 tons of tin plate during 1964-65. The demand for tin plate is rising sharply and to the extent it is not met, a wide range of consumer products will not reach the markets. Substitute packs have their limitations on account of climatic conditions and rough handling. Shri Vellodi has pointed out that as against an import of Rs 8.60 crores of tin plates, the country can market goods worth Rs 190 crores. Customers of Metal Box earned more than Rs 8 crores in foreign exchange through export of goods packed in its containers during 1963-64.

The Company has been directed to obtain supplies of its requirements through sources involving AID or government-to-government trading. As a result the Company is unable to exercise control over specifications and has also to put up with unsatisfactory timing of deliveries resulting from procedural delays. The scarcity of tin plates, Shri Vellodi observes, will lead to an inflationary impact on retail prices.

GOVERNMENT OF INDIA

4 PER CENT. LOAN 1970—ISSUE PRICE RS. 99.00 PER RS. 100 (NOMINAL)—REPAYABLE ON 15TH APRIL 1970.

4½ PER CENT. LOAN 1989—ISSUE PRICE RS. 100 PER RS. 100 (NOMINAL)—REPAYABLE ON 15TH APRIL 1989.

Subscriptions to further tranches of the above loans will be received in the form of cash/cheque from 13th of July 1964 to 15th of July 1964 but the subscription list may be closed earlier without notice as soon as the total subscriptions amount to Rs 150 crores.

2. Interest on the new loans, which will be subject to tax under the Income tax Act, 1961, will accrue from 13th July 1964. Interest will be paid on 15th October 1964 for the period 13th July to 14th October 1964 inclusive and thereafter payments will be made half-yearly on 15th April and 15th October.

3. Applications for the new loans will be received at :—

(a) Offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), Calcutta, Madras, Nagpur and New Delhi;

(b) Branches of the subsidiary banks of the State Bank of India conducting Government Treasury work; and

(c) Branches of the State Bank of India at other places in India.

For full particulars apply to any of these offices or branches.

Elphinstone Spinning

THE shortage of cotton to meet the increasing capacity of textile mills has prompted the Chairman of the Elphinstone Spg and Wvg Mills, Shri N K Jalan, to urge the adoption of scientific methods of cultivation to improve the yield of cotton. The yield of cotton in India is still the lowest compared with other principal cotton growing countries. Raising the yield alone will help arrest the heavy drain of foreign exchange caused by the import of long staple cotton.

In his speech at the Annual General Meeting of the Company on June 25, Shri Jalan admitted that the country's performance in cloth exports was not satisfactory. Export of 534 million yards of cloth in 1963 as against 508 million yards in 1962 was still below the target figure of 850 million yards. Even this performance was made possible by the industry's compulsory export obligations scheme.

Referring to the recommendations of the Bonus Commission, Shri Jalan pointed out that the main defect of the formula suggested is that it is quite unrelated to the worker's performance in respect of quality and quantity. In other countries bonus payment is linked with productivity. The other defect is that the Commission has not allowed any amount for rehabilitation as a prior charge for computation of bonus. This will render rehabilitation difficult at a time when costs of plant and machinery are going up every day. Thirdly, the return allowed at 7 per cent on capital and 4 per cent on reserve used as working capital is very meagre and compares quite unfavourably with the prevailing conditions in the capital market where debentures and preference shares give a return between 7.5 and 10 per cent and semi-government loans about 4.25 per cent.

Shri Jalan also made a plea for the inclusion of the cotton textile industry in the list of industries entitled to a rebate of super-tax in view of the extensive need for modernisation and expansion. He considered the dividend tax as unreasonable as it is likely to curb all distribution of dividend on equity capital.

The operating results of the Mills during 1963 were fairly satisfactory. Sales recorded a rise of Rs 45 lakhs to Rs 3.43 crores. Net profit after providing Rs 12.35 lakhs (Rs 9.82 lakhs) for depreciation, Rs 2.22 lakhs (Rs 3.07 lakhs) for development rebate reserve and Rs 5.60 lakhs (Rs 60,000) for taxation amounted to Rs 5.03 lakhs as against Rs 37,467. The Company has maintained the dividend on ordinary shares of Rs 50 each at Rs 9 per share, i e, at 18 per cent. The total dividends, including those on preference shares amounting to Rs 7.15 lakhs, is proposed to be paid out of the General Reserve to which has been transferred Rs 4.50 lakhs from the net profit of the year.

The Directors state in their report that production of superfine qualities was hampered by shortage of cotton. Production of leather cloth had also to be curtailed owing to acute shortage of basic raw materials. To overcome this shortage, the Company has installed a modern and uptodate machine and introduced Foam PVC and Profile Jet qualities to produce leather cloth of a high quality.

Madras Motor

MADRAS Motor and Gener Insurance Co has now be come one of the leading general insu rance companies in South India. has raised the dividend from 18.5 pe cent to 21 per cent for the year ende December 31, 1963. This has followe an improvement in the net profit after taxation from Rs 10.95 lakhs t Rs 11.46 lakhs. Though this improve ment does not appear very substantia the Company has produced excellen underwriting results. Net fire premiur written during the year has sharpl risen from Rs 5.94 lakhs to Rs 12.3 lakhs, i e, by about 107 per cent. Ne marine premium has gone up by abou 60 per cent from Rs 2.17 lakhs to Rs 3.47 lakhs. Similarly net miscel laneous premiums have also improve by about 10 per cent to Rs 68.3

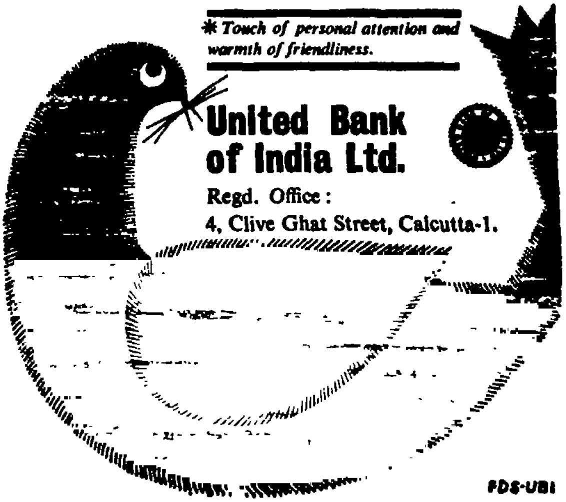
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lakhs. Gross premiums of the Company in all departments put together which aggregated Rs 85 lakhs in 1962 have crossed the Rs 1 crore mark in 1963 and have reached Rs 101.61 lakhs. The Company started underwriting motor insurance business in 1950 and entered into the fields of fire, marine and other types of miscellaneous insurance business only in 1959. The aggregate premiums written have been rising almost year by year and during the last five years the rise has been remarkably rapid reflecting the initiative and capacity of the management.

The profit of the Fire Department has receded slightly from Rs 3.47 lakhs to Rs 2.64 lakhs. This appears more due to a higher incidence of fire claims which went up from 15 per cent to 36 per cent. The rise in the loss ratio is attributed by the Directors to the abnormal claims experience in U K. Profit in the Miscellaneous Department has shown a substantial rise from Rs 12.20 lakhs to Rs 17.45 lakhs. Even with a higher premium income, claims paid have not gone up. The Marine Department has, however, resulted in a loss of Rs 17,741 as against a loss of Rs 6,896 in the previous year. Though claims paid in this department are higher at Rs 1.57 lakhs as against Rs 1.13 lakhs, the claim ratio has gone down from 52 per cent to 45 per cent. The loss appears to be due to the provision of statutory reserves at 100 per cent in the department.

In the aggregate, the net profit transferred to the Profit and Loss Account has increased from Rs 15.60 lakhs to Rs 19.91 lakhs. Out of the disposable profits after taking into account interest earnings and other incomes and debiting all expenses due and provisions required, including for taxation, the Directors were able to transfer an amount of Rs 4.50 lakhs to General Reserve and pay dividend from the balance.

The Directors are confident that despite competition from L I C and other non-tariff insurers, the Company will be able to maintain a steady progress. With the Company's consistently good performance in the past, and with the steps the Directors propose to take to expand their miscellaneous insurance business by underwriting additional types of business, the optimism of the Directors seems fully justified.

Fibreglass Pilkington

FIBREGLASS Pilkington whose public issue in November 1963 was one and a half times over-subscribed, have just announced their First and Final Call of Rs 2.50 per share on 10, 49, 993 Equity Shares of Rs 10.00 making them fully paid up. This will provide the necessary finance for the continuing programme of capital expenditure.

The construction of the Company's first factory at Thana which began in February, 1964 has been progressing to schedule, and roofing work on the main factory building is already in hand. The purchase of machinery and equipment is underway and the first consignment of imported items is en route for Bombay. Commercial production is expected to begin in 12-15 months, when a full range of glass fibre products will be manufactured in India for the first time.

The Thana Unit will manufacture three main types of product:

Glass Wool Insulation for the preservation of heat or cold, and the reduction of noise—in boilers and industrial plant, cold storage and air-conditioning equipment, road, rail, sea and air transport, commercial and factory buildings and many other applications.

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Glass Textile Yarns, Fabrics and Mats for decorative textiles, the insulation of electrical equipment and for the manufacture of glass fibre reinforced plastics (translucent roof sheeting, boat and car bodies, building panels, and 20,000 other products from sports goods to defence equipment).

Technical collaborators and promoters of the Company are Fibreglass Limited, the leading manufacturers of glass fibres in the United Kingdom.

Export of 'Sanforized' Textiles

THE real cause of India's recent rise in foreign exchange earnings from cotton fabric exports has been the higher level of textile prices which generally prevail in world markets, according to Indian mill men. On the basis of yardage alone, they point out, Indian cotton fabric exports during the first quarter of 1964 were a scant 3 per cent better than in the corresponding period of last year.

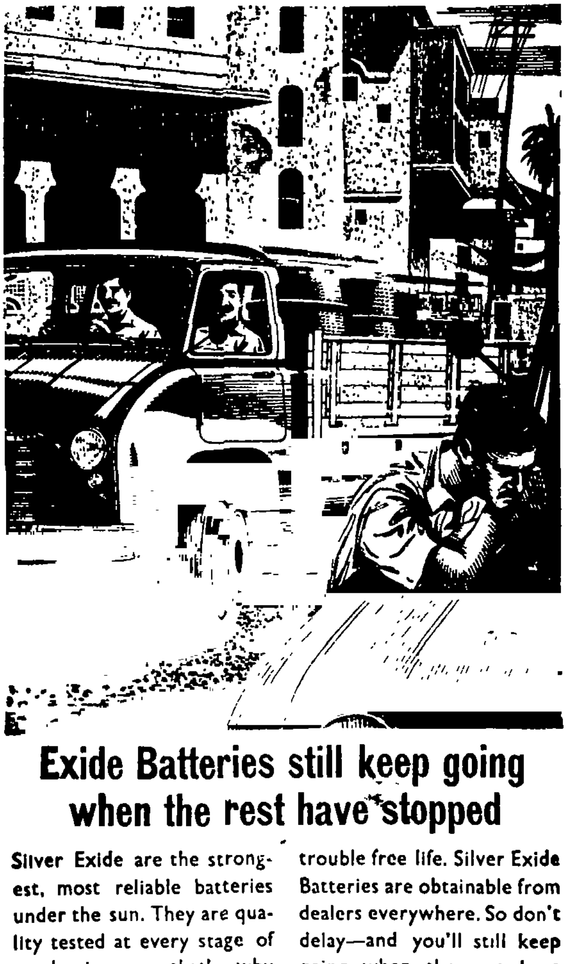
A quick look at the January-March 1964 period shows that Indian cotton fabric exports totalled 152.26 million yards. For the same period in 1963, the totals were 147.76 million yards. But the value of these exports in 1964 jumped some 16 per cent, going from 108.28 million rupees last year to 125.79 million rupees.

A closer look at this higher price level which prevails in the many world markets which import Indian fabrics points up another important fact namely that it is the finer goods which are in best demand. Where demand in foreign textile markets is weak and price levels depressed, it is explained, importers—in Japan and Hong Kong, especially - tend to engage in the kind of price shaving with which the many still unmodernized Indian mills cannot compete.

However, when foreign customers want Indian yardage because of its quality or uniqueness, or both, they have less reason to be price-conscious. In this instance, Indian mills are selling them what they require on its own merits. Furthermore, it is better from the government and industry standpoint that India export the more finished, rather than the less finished fabrics. The greater finishing means more processing and work for Indian mills.

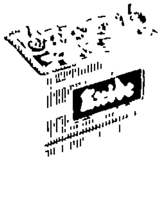
India now has many mills capable of producing the kind of fabrics which bring in foreign exchange. An example of this, brought out by the first quarter 1964 figure, is the 'Sanforized' label which can be used by 56 Indian textile mills.

Indian mills which are 'Sanforized' licensees recorded an amazing rise in exports for the first quarter this year, with value totalling two-and-one-half times more than in the first quarter of 1963. According to still incomplete figures, January-March exports of 'Sanforized'-labelled goods were worth Rs 7,515,690, compared with Rs 2,800,060 a year earlier. (The 1964 figure was 6 per cent of all Indian fabric exported in this period.)



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CURRENT STATISTICS

Foreign Trade Of India

PRINCIPAL IMPORTS

(Rs lakhs)

	Mar '64	Mar '63	April '63—Mar '64	April '62—Mar '64
Food	*1269.69*	*1433.47*	*16300.81*	*17941.31*
Live animals, chiefly for food	--	0.29	0.30	1.53
Meat and Meat preparations	0.10	0.05	0.94	0.83
Dairy products, eggs and honey	83.31	113.92	819.20	880.35
Fish and fish preparations	48.31	53.41	548.19	613.04
Cereals and cereal preparations	854.38	1056.59	12975.93	14426.39
Fruits and Vegetables	272.34	199.85	1858.75	1804.59
Sugar and sugar preparations	—	—	0.19	0.17
Coffee, tea, cocoa, and spices etc	10.87	8.72	90.28	197.45
Feeding stuff for animals	—	—	0.29	0.27
Miscellaneous food preprations	0.37	0.64	6.72	16.69
Beverages and Tobacco	*3.09*	*16.44*	*107.18*	*165.82*
Beverages	1.99	2.29	27.94	26.76
Tobacco and tobacco manufactures	1.10	14.15	79.24	139.05
Crude materials, inedible, except fuels	*1205.71*	*966.18*	*12257.76*	*12720.14*
Hides, skins and fur skins undressed	32.07	33.53	332.25	276.98
oilseeds, oil nuts and oil kernels	84.70	102.28	881.34	1000.85
Crude rubber including synthetic and reclaimed	81.92	70.17	975.27	1022.93
Wood, lumber and cork	3.87	3.65	105.47	296.67
Pulp and waste paper	89.73	47.17	965.98	951.43
Textile fibres and waste	789.13	578.33	7315.30	7587.41
Crude fertilisers and minerals, excluding coal, petroleum and precious stones	86.13	98.76	1326.27	1201.05
Metaliferous ores and metal scrap	15.82	9.97	179.01	156.02
Animal and vegetable crude materials inedible nes	22.32	22.30	176.85	226.78
Mineral fuels, lubricants and related materials	*855.62*	*395.60*	*10451.81*	*8796.93*

	Mar '64	Mar '63	April '63—Mar '64	April '62—Mar '63
Animal and Vegetable Oils and Fats	*18.87*	*42.17*	*486.71*	*563.14*
Chemicals	*662.48*	*733.80*	*8339.92*	*10052.33*
Chemical elements and compounds	311.32	255.78	3201.29	3807.15
Inorganic chemicals	104.90	105.65	1303.38	1667.46
Organic chemicals	206.41	150.14	1897.91	2139.69
Mineral tar and crude chemicals from coal, petroleum and natural gas	—	0.16	1.25	2.79
Dyeing, tanning, and colouring materials	68.36	96.29	803.83	1214.91
Medicinal and pharmaceutical products	84.69	63.77	834.37	927.62
Essential oils, and perfume materials, toilets, polishing and cleaning preparations	9.37	9.55	84.58	97.82
Fertilizers, manufactured	106.74	207.01	2748.66	2673.44
Explosives and miscellaneous chemical materials and products	82.01	101.23	1165.94	1328.58
Manufactured Goods classified by Material	*1740.61*	*1441.23*	*19553.12*	*20394.69*
Leather, leather manufactures nes and dressed furs	0.79	4.08	5.13	10.58
Rubber manufactures nes	11.62	17.50	198.88	180.41
Wood and cork manufactures (excluding furniture)	3.96	3.52	52.03	52.11
Paper and paper board manufactures	79.31	117.42	1185.78	1363.81
Textile yarn, fabrics, made-up articles and related products	103.05	88.85	1299.28	1530.50
Non-metallic mineral manufactures nes	46.06	40.15	530.74	531.65
Silver, Platinum, gems and jewellery	26.18	16.70	204.72	217.40
Base Metals	1356.33	986.00	14520.33	14414.54
Iron and Steel	884.71	643.19	8963.75	8900.93
Copper	261.82	154.45	2665.69	2528.23
Nickel	5.54	8.36	177.66	149.49
Aluminium	72.00	67.74	637.30	1052.89
Tin	39.46	25.95	639.77	510.63

	Mar '64	Mar '63	April '63—Mar '64	April '62—Mar '63
lanufactures of ıetals	113.31	167.00	1556.23	2093.67
:hinery and Trans- ›rt Equipment	*3673.50*	*3302.99*	*42157.38*	*38737.85*
lachinery other than lectric	2607.21	2033.12	27733.41	25054.79
Power generating	290.04	343.05	3913.53	4402.46
Agricultural	14.28	14.49	145.82	108.23
Tractors	162.69	37.48	526.55	469.13
Office	11.13	9.59	186.41	164.89
Metal working	477.24	411.98	5197.96	4022.13
Mining, construction and other industrial	1651.83	1216.52	17763.14	15887.94
lectric Machinery, ppratus and appli- ıces	715.38	664.51	8348.01	6477.64
ransport Equipment	350.91	605.36	6075.96	7205.43
Railway vehicles	45.97	184.77	1639.85	2706.84
Road Motor vehicles	1.40	4.39	37.08	43.08
Aircraft	49.26	225.60	1169.82	1566.00
Ships and boats	11.35	6.22	368.48	177.95
·cllaneous Manufac- red Articles	*159.87*	*493.06*	*3538.28*	*3072.50*
efabricated build- ;s; sanitary, plumb- ;, heating and light- g fixtures and fitt- ;s	2.78	4.44	39.12	59.29
rniture and fix- 'es	1.03	0.39	8.28	7.29
ıvel goods, hand .s and similar icles	0.05	0.06	0.82	1.06
›thing	0.15	0.25	3.58	3.85
otwear	—	—	0.09	0.11
›fessional, scienti- and controlling truments; photo- ıphic and optical tches and clocks	115.45	112.92	1269.02	1338.00
scellaneous manu- tured articles NES	40.40	374.98	2217.38	1662.87
:llaneous Transac- ns and commodi- ; NES	*34.58*	*78.39*	*667.13*	*702.80*
stal Packages	9.34	36.66	228.77	302.94
ᴅ TOTAL	9625.67	8903.32	114362.97	113147.51

BANKING RETURNS

(Rs crores)

Reserve Bank	July 3	June 26	June 5	July 5, '63
1 Note circulation	2501.54	2484.12	2549.53	2274.48
2 Rupee coin	101.26	102.81	98.25	113.89
3 Deposits				
(a) Central Govt	60.55	79.71	50.63	73.37
(b) Other Govts	12.80	14.05	9.09	9.00
(c) Banks	92.07	97.67	87.71	100.09
(d) Others	196.47	166.69	161.10	207.02
4 Foreign securities	89.46	89.46	98.46	95.89
5 Balance abroad	7.06	7.15	10.49	5.63
6 Rupee securities	2211.02	2226.04	2262.27	1970.65
7 Investments	275.36	273.90	219.43	261.02
8 Loans and advances to Govts	64.60	81.65	91.48	69.72
9 Other loans and advances	163.69	148.10	163.11	137.95
Scheduled Banks	June 26	June 19	May 29	June 28, '63
1 Aggregate deposits (net)	2381.24	2360.63	2336.99	2134.99
Demand (net)	1092.05	1084.43	1082.87	899.73
Time (net)	1289.20	1276.22	1254.12	1235.26
2 Cash in hand	66.49	63.81	64.70	62.74
3 Balance with Reserve Bank	93.60	85.06	90.52	91.90
4 (2)+(3) as % of (1)	6.72	6.31	6.64	7.24
5 Borrowings from Reserve Bank	1.23	4.58	33.87	1.49
(a) Against usance bills and/or promissory notes	0.56	2.63	6.41	0.09
(b) Others	0.66	1.96	24.46	1.40
6 Advances	1537.42	1541.75	1544.90	1316.01
(a) State Bank	338.46	338.22	346.47	262.99
(b) Others	1198.96	1203.53	1197.43	1053.02
7 Bills discounted				
(a) Inland	173.57	179.90	210.07	161.58
(b) Foreign	63.64	63.73	69.85	51.98
(c) Total	237.21	243.63	279.92	213.56
(i) State Bank	21.99	21.15	22.01	17.15
(ii) Others	215.22	222.48	257.91	196.41
8 (6)+(7c) as % of (1)	74.53	75.63	78.08	71.64
9 Investment in Govt Securities	655.03	633.46	621.76	652.98
10 (9) as % of (1)	27.51	26.83	26.61	30.58

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Group and Sub-Group	WEEK ENDING			
	13.6.64	6.6.64	16.5.64	16.6.63
Food Articles	*153.1*	*151.9*	*148.2*	*134.4*
Cereals	133.4	132.2	128.5	112.1
Pulses	139.7	138.9	135.2	109.0
Fruits & Vegetables	182.0	182.2	172.2	140.4
Milk & Ghee	140.9	139.2	138.7	127.7
Edible Oils	182.4	178.9	175.3	151.5
Fish, Eggs & Meat	165.6	162.9	159.3	144.7
Sugar & Gur	193.7	194.5	181.9	188.1
Others	176.9	176.3	178.6	179.2
Liquor & Tobacco	*121.0*	*119.7*	*117.0*	*119.3*
Tobacco	118.2	116.8	113.9	116.3
Fuel, Power, Light & Lubricants	*141.7*	*141.7*	*141.7*	*139.8*
Industrial Raw Materials	*151.4*	*151.3*	*149.6*	*138.4*
Manufactures	*133.2*	*133.2*	*133.4*	*130.6*
Intermediate Products	*147.0*	*146.7*	*146.9*	*139.2*
Finished Products	*131.0*	*131.0*	*131.2*	*129.2*
Textiles	127.5	127.6	128.2	127.3
Cotton	135.9	135.9	136.0	135.4
Jute	97.3	97.5	99.1	101.5
Metal Products	168.9	168.9	168.9	161.5
Chemicals	119.5	119.1	119.5	117.4
Oilcakes	185.4	185.1	184.4	166.3
Machinery & Transport Equipment	126.9	127.0	125.9	123.3
Others	127.5	128.2	127.5	128.2
All Commodities	*146.0*	*145.4*	*143.3*	*135.8*

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Crisis to Order

AN unprovoked attack on U S ships in international waters; a strong protest note giving warning of grave consequences; an open and massive military build-up; and a sudden, but well-planned and efficiently-executed, punitive action to the accompaniment of assurances that this was a limited action and that the U S sought "no wider war". What a convincing build-up—until one realises that most of the reports originated in Washington, far from the scene of the alleged provocation and the open retaliation.

The alleged attack by a few torpedo boats on nuclear-weapon-carrying ships of the Seventh Fleet constitute the U S justification for the air attack on N Viet Nam. The latter has, of course, denied that its torpedo boats were involved in any attack on U S ships and claimed that the incident was a fabrication to cover up open military aggression intended to intimidate it and compel it to reduce its support to the Viet Cong rebels in S Viet Nam.

To attack two well-guarded destroyers of the mighty Seventh Fleet with a few boats must be reckoned a foolhardy act, unless the objective was to fathom American response. Of course, the Americans have claimed and this was in fact N Vietnam's intention and that if they had not retaliated in the manner in which they did, it would have been taken as a sign of U S weakness and provoked further, and more serious, aggression. This is plausible, of course, but not entirely probable. The United States has been blowing hot and cold over the military situation in S Viet Nam, alternatively threatening extension of the war into N Viet Nam and disclaiming any such intention. The N Viet Nam Government may have been tempted to find out just how far the U S was prepared to go, but the way to do this would have been to step up rebel activity in the S Viet Nam. The Viet Congs, though aided by Hanoi and Peking, are after all a section of the Viet Namese people in rebellion against the U S-supported Government of S Viet Nam. If the U S had attacked N Viet Nam in response to stepped up activity by the Viet Congs, it would have a far weaker case to plead before world opinion than, as is the case now, when the attack is in retaliation against direct aggression on U S ships in international waters. This fact could not possibly be ignored by Hanoi in choosing the most effective method of sounding the U S. The story of the attack on the U S destroyers, put out by Washington and denied by Hanoi, therefore, can be regarded as true or false, depending on whether one takes one's facts from the one capital or the other.

The other part of the American version of the incident which it is difficult to accept is that the attack on the U S ships, if there was such an attack, was unprovoked because it took place in international waters. One of the anti-U S versions has it that the ships shelled the N Viet Nam coast. This may or may not be true, but the fact remains that the presence of American ships within attacking distance of North Viet Nam constitutes a serious provocation which the latter, considering the delicate military situation in S Viet Nam and the degree of American involvement in it, cannot ignore. The technical fact that the U S ships stay in international waters is immaterial since it in no way detracts from their potential to attack and destroy N Viet Nam. The nature of the provocation is no different from that caused to the United States by the presence of Soviet nuclear weapons on Cuban territory. The fact is that the patrolling

activities of the Seventh Fleet have no higher justification than that no power in this region is strong enough to prevent them. The Seventh Fleet is an ever-present cause of threat to peace. This fact is basic to any assessment of the air-attack on Viet-Nam as well as to any earnest search for safeguards against recurrence of such incidents.

Much has been said about N Viet Nam's possible intentions in precipitating the recent crisis; but can it be said that the U S cannot have had any motives for taking the initiative? First, in the context of the repeated threats to carry the S Viet Nam war into the North, the U S must want to find out N Viet Nam's, People's China's and, not the least, Soviet Russia's reaction to such a move. More important, there are the pressures of American domestic politics. In spite of periodic reassurances from the State Department and the Pentagon, the fact is not unknown to the American people that the U S is doing pretty poorly in S Viet Nam—in spite of the free flow of dollars and some spilling of American blood. Goldwater has made capital of this, and the people have not failed to be attracted by his promises of finishing the job cleanly and quickly. This week's show of force against N Viet Nam could quite plausibly be part of President Johnson's strategy to stem the tide. It is a frightening thought because the Presidential poll is still three months hence and Johnson may have to repeat his performance if he is to sustain the effect till election time.

This leads to the point, made in the editorial in the issue of July 11, 1964, that Johnson-ism and Goldwater-ism are not alternatives between which it is possible, or necessary, for non-Americans to choose. Given the identity of objectives, the differences in the intensity with which they are pursued are not hard and permanent. If for reasons of *realpolitik* one decides to play it low for a while, it is open to the other to pile up pressure and force a raising of the pitch. This is what is happening in Viet Nam today.

Priorities in Small Industries

THE composition of the All-India Small Scale Industries Board gives it an official stamp and yet is suggestive of an advisory role. The Board is presided over by the Central Minister for Industry and officials predominate in its membership. This is probably expected to impart a touch of authority and a sense of realism to its deliberations and recommendations. At the same time, the frequent sharp divergence noticed between the recommendations of the Board and the policies and programmes actually implemented would lead one to ascribe to the Board no more than an advisory status. This impression is strengthened by the fact that, unlike such bodies as the Handicrafts Board and the Khadi Commission, the Small-Scale Industries Board has no responsibility for execution of programmes.

As usual, the forthcoming annual meeting of the Board has been preceded by massive reports from special working groups. Working groups are set up with the best of intentions—to make possible expert investigation into issues of economic policy. In practice, however, the experts invariably tend to get a little emotionally involved and overcome by the importance of the problem under study. This naturally dims their sense of proportion and their recommendations, though based on close and careful study, often seem out of alignment when placed in the proper perspective. The report of the working group on small industries appointed by the Industry and Supply Ministry is an excellent case in point.

The working group has come out with recommendations for an ambitious programme for development of small industries in the Fourth Plan. While detailed comments on these recommendations will have to await availability of its report, summaries which have appeared in the press do not indicate any attempt to review the performance of the small industries sector in the Third Plan or to base recommendations for the future on such an assessment. Had enough weight been given to the actual performance of small industries, recommendations such as reservation of further capacity in as many as 54 industries exclusively for the small scale sector, further enlargement of the number of industries for which common production programmes have been worked out, restrictions on licensing and C G clearance for large scale units, etc, will not have found place in the report.

None of these recommendations can be justified on the basis of past showing. During the Second Plan the common production programme for the small and large industries covered only three industries, namely bicycles, sewing machines and storage batteries. Available indications of the performance of the small scale sector in any of the three industries do not justify confidence that the sector can undertake responsibility for any ambitious production programmes. The Working Group obviously is not unaware of these facts. That it should still have made grandiose recommendations reflects its emotional involvement with small industries.

The question whether the Fourth Plan programme for small industries should be one of consolidation of what has already been done or one of further indiscriminate expansion in all directions cannot be avoided any longer. The place of small scale industries in our scheme of development depends on the fact that, consistent with technology and scale of operation, these industries are capable of yielding larger employment for a given unit of investment and that they are an effective instrument for economic de-concentration and spatial de-centralisation of industry. What has been the record of the small industries in these respects during the three Plans? This is a question which the Working Group should have considered, but apparently didn't.

Innumerable committees have reported on the reasons for the gap between the promise of small industries and its fulfilment. Only last year the International Ford Foundation Team made a number of suggestions for the reorganisation of the small scale sector. What has happened to these recommendations? What has been the impact of steel decontrol on small industries? What, again, are the lessons learnt from the experience of development of industrial estates and from the programme for encouraging small scale units as ancillaries to large industry? Many more questions on these lines can be raised and answers to them have to be found before talking of ambitious programmes for the Fourth Plan.

The Small Industries Board which is scheduled to meet next Thursday could ponder over some of these questions. If it goes through this exercise diligently, the result may be to shift the focus of attention from grandiose expansion programmes to consolidation and completion of what has already been embarked upon.

Weekly Notes

ıall Collieries

HAT is optimum size for a colliery? Naturally, there can be no definite wer to the question. According to Chairman of the Indian Mining ›ociation, "the production of fuels at lowest possible cost can in modern ıditions be achieved only by units ›able of ultimately producing up- ·ds of half a million tonnes of coal annum". On the other hand, the nmittee on amalgamation of collie- , set up by the Government estimat- the minimum viable output at about 000 tons a year.

ʒut while there can be no rule-of- mb criterion, the majority of Indian lieries are too small to be efficiently rked—judged by any standards. Even ing an output of 72,000 tons per an- n, no less than 569 of the 848 col- ıes working in 1961 were unecono- ·. These small collieries, with an rage output of 20,000 tons, account- for 21 per cent of total production that year.

'he existence of so many small collie- ; makes nonsense of any attempt to n coal production, as is evident from glut in low-grade coal which made appearance suddenly some time ago. ıt these collieries are beyond the ı of any sort of control can be ıged from the impunity with which y ignore mining laws and regula- ıs and even get away without main- ıng proper accounts. It goes with- saying that unless the problem of se atomised units is solved, efforts modernise and rationalise output— necessary for raising the production ' conserving the reserves of better de coals—cannot touch a substantial ı of the private coal industry.

ʌll this is well known. The need to ılgamate the smaller collieries to m viable units also has been long ›gnised. And yet very little progress been made towards reducing the nber of uneconomic collieries. The ıctance to let big units grow bigger understandable, but the problem is peculiar to the coal industry. Else- ere when the alternatives of large- le operation and inefficient and ›teful use of resources have presented ›mselves, the choice has been made favour of the former. Even in coal, Government has pursued a definite ıcy in the case of new mines. Appli- ıons for sinking new mines or for ending operations to contiguous areas are refused unless the applicant can produce satisfactory evidence that he has adequate resources to undertake modern, large-scale mining.

In the case of existing mines, however, the Government has been content with exhorting small units to amalgamate. It is hardly surprising that this has had no impact on the small mine-owners who are sitting pretty on valuable reserves. The Collieries Voluntary Amalgamation Committee has so far approved only 50 proposals for amalgamation and, even of these, actual amalgamation has been effected in only 32 cases.

Reorganisation of the small collieries will make no progress at all unless the Government takes powers to compel mine-owners to amalgamate. The Balwantrai Mehta Committee had foreseen this years ago and last year the Estimates Committee of the Lok Sabha also urged the Government to take some 'positive action' to bring about amalgamation of collieries. However, it is learnt now that legislation for compulsory amalgamation, which was expected to be introduced in the coming session of Parliament, has been put off once again. This is hardly the right way to begin the preparatory work on the ambitious Fourth Plan coal programme which aims at an output of 155 million tons in 1965-66.

Sadachar Samitis

CORRUPTION has been, not unexpectedly, the theme of G L Nanda's speeches during his current visit to Gujarat, Maharashtra and Mysore. In Gujarat he inaugurated the State branch of the Sadachar Samiti and ruled that the membership of the Samiti would not be open to political parties and politicians. Only those belonging to religious and social organisations could become members. He himself would relinquish his position as the Samiti's president once it began functioning well. In Bombay he explained at length his recruitment of Sadhus for anti-corruption work and his personal initiative in setting up Sadachar Samitis.

The Sadachar Samitis and their functions and ramifications take one back to the Santhanam Committee's interim recommendations regarding the setting up, within the Central Vigilance Commission, of a Directorate of Complaints and Redress. The Government rejected this proposal explaining that "the importance and urgency of providing a machinery for looking into the grievances of citizens against the administration and for ensuring just and fair exercise of administrative powers, is fully recognised. But it is considered that the problem is big enough to require a separate agency or machinery and, apart from this, the Central Vigilance Commission would be over-burdened if this responsibility were to be placed upon it, and the Commission might, as a result, be less effective in dealing with the problem of corruption". Nanda's Sadachar movement is, presumably, the answer.

The Sadachar Samitis have a most impressively worded 'charter'. It declares that they have been "brought into being in response to a call and as an answer to a challenge". A key passage states that "without active support of the people and organised public opinion and effort, the agencies of the Government cannot find themselves on sure ground for dealing with offenders. Some organisation of the people must gather and tap the scattered sources of information about the techniques, ways and locations chosen for corrupt dealings. In each case the people around know who is and who is not a corrupt person. They should come in direct contact with the machinery of the Government. But it will be a great facility if they have also an organisation of their own with which they can lodge specific complaints or to which they can bring any reliable information. The vigilance machinery of the Government will thus have an ample store of facts to draw upon. This delineates one of the important functions of the Samyukt Sadachar Samiti. The Government will avail itself of the services of the Samiti and make arrangements for close and continuous collaboration". This proposed role of the Sadachar Samitis is perhaps what made Nanda

AS the press will remain closed for two days next week, there will be no issue of *The Economic Weekly* on August 15 — Independence Day.

The next issue, therefore, will be out on August 22.

A Fernandes
Business Manager

claim in Bombay that he had developed "powerful sources of intelligence".

Sadachar Samitis have been set up in a number of States besides Gujarat. Their formal status is far from clear yet, but they appear to be part of Nanda's Bharat Sadhu Samaj and are financed by the latter. Members of the Samitis have to declare on oath that they will neither accept nor offer bribe. Nanda has managed to impart an air of respectability to the movement by enlisting the services of an ex-Chief Justice of a High Court, an ex-Chief Minister, Speakers of State Assemblies, and so on. Yet the fact remains that, not being official agencies, they are not formally accountable for their working. And so far little popular base to sustain them has been created. The movement threatens to remain what it is—a personal creation of G L Nanda drawing its inspiration from him, though supported by public monies.

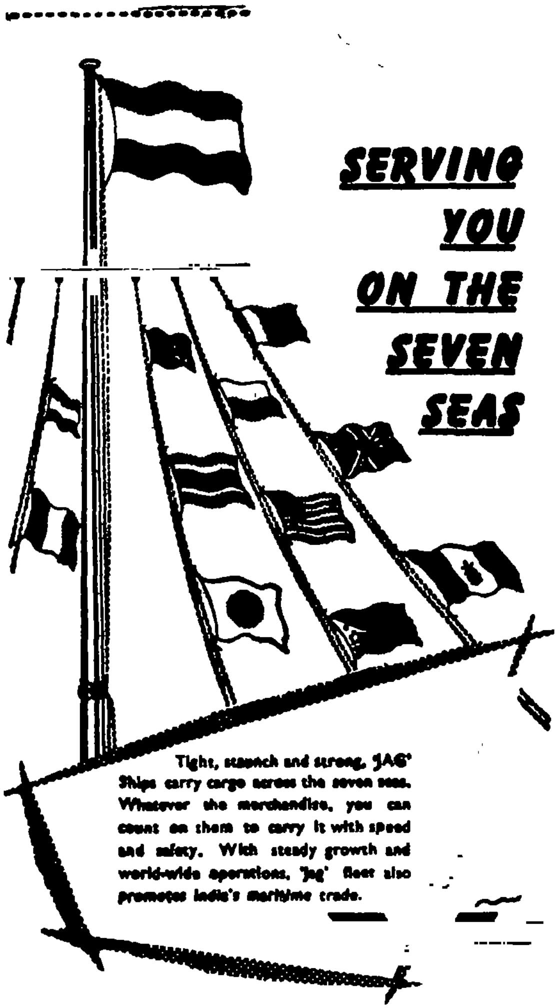
The uncharitable have compared the Samitis with management-created unions whose real purpose may be to discourage a genuine union of workers. Nanda has explained that he took the initiative only in the absence of any popular anti-corruption movement and that he would be happy to see thousands of popular committees other than the Sadachar Samitis set up all over the country. True, while there has been much talk of eradicating corruption, popular initiative in the shape of definite steps to achieve the objective has been practically non-existent. This need not be so. In the West, anti-bribery leagues, citizen's advice bureaux, etc, do excellent work. What Nanda could do, of course, is to spell out clearly the *locus standi* envisaged by the Government for voluntary anti-corruption agencies.

The Press

STATISTICS of the growth of the Indian press during 1963 released by the Registrar of Newspapers yield a varied picture. The circulation of all papers rose during the year by 5.4 per cent and that of dailies by 3.7 per cent. These rates were considerably lower than those achieved in 1962—13.7 per cent for dailies and 8.8 per cent for all papers. But then 1962 was a year crowded with events and it is explained that such happenings as the Chinese invasion and the general elections gave an "abnormal momentum" to the press. As compared with the growth in 1961, however, last year's performance was steady and satisfactory.

Growth rates, however, are not as revealing as absolute figures. The circulation of all papers—including those in the category of 'others' comprising such publications as market bulletins, commercial circulars, school magazines, house journals, etc—reached the figure of 20 million in 1963. Circulation of dailies touched 6 million. In terms of availability of reading materials, this really does not amount to much since the number of literate persons in India in all age groups is around 105 million.

Perhaps the most heartening feature revealed by the statistics is the growth of the mofussil press. The number of dailies published from towns with a population of less than one lakh has almost doubled itself during the year, going up from 63 to 114. The growth of such small papers is of significance for the freedom and strength of the press. But alongside their growth was recorded a further increase in common ownership of the daily press. The number of dailies under common ownership went up from 130 to 143 and the proportion of their circulation to the total circulation of all dailies rose from 65.9 per cent to 68.4 per cent.



THE GREAT EASTERN SHIPPING COMPANY LTD.

The Registrar of Newspapers has also attempted, for the first time, an assessment of the extent of the different papers' monopoly of readership. Defining "monopoly" as circulation of more than 50 per cent in a particular language or region, the conclusions are that six daily papers owned by big business and eight dailies not connected with big business enjoyed monopolistic position in their respective languages or regions. The implications of such monopoly would be brought out more clearly if figures were given of the proportion of the circulation of these papers—especially, those owned by big business—to total circulation of all papers.

Europe's Japan

IN the wrack and ruin of looming payments deficits on every side, West Germany is irrepressible—of such expansionary potential, rain or shine, that Ministers can only blush at such immodesty. At the moment, as fast as Italy's deficit bulges to crisis proportions, Germany's surplus inflates, also nearly to crisis proportions. The surplus is certainly not a tribute to planning, even in the lukewarm European sense; last December's growth estimates for this year put the total increase in the real gross national product at four and a half per cent, but this has now had to be revised upwards to between 5 and 6 per cent. The inward surge of export earnings puts continuous strain on domestic prices, and strengthens the case for either an upward revision in the value of the Deutschmark or a radical reduction in any extraordinary incentives to exporters—for example, withdrawal of their rebate on turnover tax. The political pressures suffocating Bonn ensure that the Government will not take steps to reduce German competitiveness in foreign markets. As a substitute, in May the Government cut import duties by half for imports of industrial goods from the other Common Market countries, but this makes little real dent in the problem. West Germany cannot drive the other five to permit a radical reduction in the external tariff ahead of schedule which might do the trick, and tariff cuts on goods from other Common Market countries have not so far had much effect—the redistribution of resources among the Six continues in Germany's favour.

In addition, the trade unions in the past two years have begun to bestir themselves out of the postwar torpor of 'necessary common interest'. The annual late summer and autumn wage round has now been opened by the giant IG Metall workers in a firm and, for the Government, somewhat intimidating fashion—the Metall workers have only just been constrained from striking by a Cologne court order against an employer which claims never to have had a strike since establishment (Ford). The Metall workers' general contract, just signed, provides for increased holidays with an extra bonus of 30 per cent above their normal holiday pay, plus an all round six per cent increase in pay from October 1 this year and a further three per cent the following July. This agreement, it is estimated, will boost wage costs in firms affected by about nine per cent over the next eighteen months in which it is operative. More than this, it is customary for other unions to wait for IG Metall to breach employer resistance and set the pattern for bargaining throughout the rest of the economy, so that by the end of this year, it could be that the German Government will have other worries besides the external account, worries that fit more familiarly into the European tradition.

Not that these are the only current troubles. Erhard's term of office has coincided with a certain German recognition that West Germany stood to gain more trade-wise from a generous Kennedy Round than from industrial autarchy with De Gaulle. Correlatively, alliance with the United States looms as completely large as alliance with France, and the American rapprochement with the Soviet Union promises more than the creation of a 'third force' Europe. Thus, beneath the old Adenauer-Dulles-Stalin ice, large chunks of which still float on the Bonn pond, there is much excited movement. Of Course, even in Adenauer's declining years of office, rapprochement with the East was in the air, but now the price—non-reunification of Germany in the immediate future—seems to be receiving more grudging recognition; even, it seems, Erhard and his nation of shopkeepers are sniffing the China trade winds. Naturally, movement has produced counter-movement from expected quarters. Adenauer has suggested explicitly that the link with France is of greater importance than ties across the Atlantic, and the ex-Defence Minister, Franz Josef Strauss of the Bavarian CSU, has stressed the necessity for European independence from Atlantic entanglements; even Willy Brandt on his recent trip to America wondered why all the exciting independent things should be left to France; on the lunatic fringe, the Minister of Transport suggests Sudetenland must be restored to Germany, and there are always those who mumble about the destruction of Oder-Neisse.

But all this is small beer—Erhard can only be pleased that it is so small. The distant political echoes of the sellers' cries in the market stress what is called, quite erroneously, an 'outward-looking Common Market' policy for West Germany—as if any country could care *per se* about looking outward or inward, rather than pursuing what seems to be its own interest. Adenauer cannot be there for long, and ultimately Strauss, *ceteris paribus*, is a straw man. The shift in alignments, of course, has very important implications for the next British application to make the Six Seven, as well as for the immediate future of NATO and the watery 'Atlantic Community'.

Letter to Editor

Sterilisation

PROFESSOR Agarwala should be congratulated for raising the demand for competent cost-benefit analyses of the various contraceptive methods in his article 'Sterilisation as a Population Control Device, Its Economics' (*The Economic Weekly*, July 4, 1964) but there are a couple of points which I feel could fruitfully be raised in connection with his comparison of the costs of sterilisation on the one hand and use of condom on the other. He himself admits that his calculations are only rough, but it is not so much his results as his approach which I think should be considered.

First, comparing the two methods in terms of their cost in reducing one pregnancy tends to obscure the question of time span. It would be better to take cost per wife rather than cost per pregnancy prevented as the unit of comparison. In this case it emerges that the Government could spend the Rs 48 (or a little more) necessary to provide the 459 condoms needed to prevent 3 pregnancies, assuming a coital frequency F of 6 per month (or somewhat less for the 384 condoms if F is 5), and only provide sufficient condoms to protect a woman for 6½ years. If she was only 28 at the beginning of the process, she would still have another 9 years or so of reproductive life left to her after this amount had been spent on her. During this time, unless other steps were taken, she would almost certainly conceive once, if not twice, since the 6½

years' protection might have rendered her less liable to the fecundity impairments other women suffer as a result of too frequent child-bearing. These 9 years would demand another 648 condoms with F-6, or 540 with F-5. Even if the woman were only 6½ years from the end of her reproductive period, it would not be quite fair to compare the costs of supplying 3 pregnancies worth of condoms with the cost per pregnancy prevented of sterilisation along Professor Agarwala's lines, since in the case of sterilisation he does take age into account (p 1093) and would maintain that the operation in the older age-groups would result in the saving of fewer potential births. It may seem odd at first sight that so much more will need to be spent on condoms when the average woman will only have another two or three children during these years. This is due to the fact that within certain limits one can never be sure when conception will result from a non-contracepted coitus, so that precautions must be taken on every occasion. Of course there are these limits, but the use, in combination with condom, of the rhythm method which is based on these limits would probably cost more to teach under present circumstances than the condoms which it could save. It is thus important to take into account that the relative costs of preventing any further pregnancy will also vary considerably with the age of the woman in the case of condom, or any non-permanent method.

But even if the woman in question had reached an age at which the cost of her husband's sterilisation exceeded that of providing her with the necessary condoms, there is always the danger of contraceptive failure with the latter method, while failure with the former is almost impossible. It is here that the cost-benefit analysis should consider not just the cost of preventing a pregnancy, but also the cost of not preventing one. Robert Neild of the Overseas Development Institute, London, has recently calculated that it would pay the Government of India to spend up to £45 or Rs 585 on preventing one new life. Although, given present mortality rates, each contraceptive failure might not result in a whole new life, the saving of Rs 4 per pregnancy, which Professor Agarwala envisages by choosing condom rather than vasectomy, looks a little small beside this sum. Again the risk of failure might not be too high, though it would probably be greater on an All-India basis than the rate, which Professor Agarwala uses, found in Delhi for condom and jelly. In any case, the cost of such failure should certainly not be omitted in calculating expenses.

Professor Agarwala mentions the 'non-monetary or psychic costs' of vasectomy which would further enhance the expense of that operation. At the moment there is no clear and definite information either how widespread or how serious the psychological effects of vasectomy are, but preliminary evidence would suggest that preselection of patients (admittedly at some cost to the government) could ensure that their incidence was minimal. Further, even if such costs were somehow quantified, it would be unreasonable to include them in a cost-benefit analysis without also including on the other side of the balance-sheet the psychic (and economic) costs of improvident maternity consequent on failure with the non-permanent methods.

Lastly, from the article it does not seem as if the distribution costs have been included on top of the purchase price of the condoms, which would make the comparison yet more misleading.

Finally, it should hardly be necessary to add that whatever cost-benefit analyses may reveal, the final choice of methods should be left to the people who have to use them, for in the case of such a personal matter as family planning interference with choice is not only ethically unacceptable, but it also defeats its own ends.

TIRRIL HARRIS

Indian Statistical Institute
Calcutta
July 1964.

THE INDIAN IRON AND STEEL COMPANY LIMITED

NOTICE

NOTICE is hereby given that the Annual General Meeting (being the Forty-Seventh Ordinary General Meeting) of the Company will be held at the Registered Office, No 12 Mission Row, Calcutta, at 3 p.m. on Tuesday, 8th September, 1964, for the following purposes:

1. To receive and adopt the Audited Accounts for the year ended 31st March, 1964, and the Directors' and Auditors' Reports thereon
2. To declare a dividend for the year ended 31st March, 1964, on the Ordinary Share Capital The dividend if sanctioned will be paid on or after the 9th September, 1964.
3. To appoint a Director in place of Maharajadhiraja Sir U. C. Mahtab Bahadur of Burdwan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Maharaja Sir Pratap Chandra Bhanj Deo of Mayurbhanj who retires by rotation and is eligible for re-appointment
5. To appoint Auditors and fix their remuneration.

As Special Business

6. To consider and, if thought fit, to pass with or without modification the following Resolution of which Special Notice has been received by the Company and is hereby given to the members:

RESOLVED. That the appointment as a Director made by the Managing Agents in terms of Article 108 of the Articles of Association of the Company, of Sir Biren Mookerjee who has since attained the age of 65 years, be and is hereby approved and that the age limit laid down in Section 280 of the Companies Act, 1956, shall not apply to him.

7. To appoint a Director in place of Mr. John McCracken who retires by rotation and being eligible offers himself for re-appointment and to consider, and if thought fit, to pass the following resolution as a Special Resolution in respect of which a Special Notice as required by Sections 190 and 261 of the Companies Act, 1956, has been received by the Company and is hereby given to the members:

RESOLVED: That pursuant to the provisions of Sections 261 and 314 and other relevant provisions of the Companies Act, 1956, Mr. John McCracken, who retires by rotation and who is the General Manager of the Company's Works, be and is hereby re-appointed a Director of the Company and that consent be and is hereby accorded to his continuing to hold an office of profit as General Manager of the Company's Works including the enjoyment by him of all such benefits and perquisites as are or shall be admissible to all other overseas recruited staff of the Company of non-Indian origin.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member.

By Order of the Board
MARTIN BURN LIMITED
F. G. Liversedge
Managing Director
Managing Agents.

Registered Office,
12, Mission Row,
CALCUTTA-1
12th August, 1964.

An Explanatory Statement annexed to the convening notice as required under the Companies Act, 1956, has been forwarded to the members of the Company.

Letter from Punjab

To Battle Again

AT the time of the 'cease fire' in Punjab nearly a month ago, it was generally believed that the rival factions had been almost wearied into peace. For, they were so evenly matched that neither could beat the other conclusively. The faction that was gaining strength because of the Das Report was still in a minority. And the one that stood discredited on the same count was still in majority, despite its dwindling numbers.

For its part, the High Command, that could have resorted to really drastic remedies that were actually called for in view of the total rot in Punjab affairs exposed by Mr Justice Das, decided instead to play it safe. It did not choose to rise above considerations of 'party prestige'.

As a result of the two factions being evenly poised for a struggle for power and the High Command preferring party patriotism to principles, nothing but a compromise solution could be hatched out. The most important feature of the formula evolved was that while the Ministry was handed over to the Darbara Singh group, the organisational wing was allowed to be retained by the old majority faction.

Kairon's Loss

The Ministerialists expected to wean away Kairon's supporters and demonstrate to the High Command that Kairon was not so indispensable after all. On his part, Kairon too had some, though entirely different, reasons to keep the peace. While he did realise that nothing at all could bring him to power, he could hope to win back at least a part of his former glory, in the sense that someone beholden to him would be installed as Chief Minister or the incumbent himself would have to seek his help. His hopes lay in a rift eventually occurring between Darbara Singh and Ram Kishen. In such a situation, he could offer assistance to the latter, win his gratitude and frustrate the hopes of his chief enemy. It must have been some such calculation that prompted him to express loyalty to Ram Kishen in extravagant terms at the time of the latter's election as Leader of the Congress Legislature Party.

All the same, Kairon did suffer some major defections from his camp, which was inevitable in the circumstances. His most important loss was the going over to Darbara Singh of his Amritsar stalwart, Narain Singh Shahbazpuri and the latter's followers. This happened in the early post-Das days when Shahbazpuri must have realised that Kairon's exit was not only inevitable but imminent. Darbara Singh also was in dire need of men to advance his case with the High Command and Shahbazpuri was a real big fish to catch. So he accepted the latter's condition that someone belonging to his sub-group be appointed as a Minister in the new Cabinet. Although Darbara Singh himself did not become Chief Minister, he was still able to honour his promise, and Raja Harinder Singh was made Revenue Minister.

Re-admission of Members

Such was the compromise that was ultimately thrashed out. Not only had there been shifts of loyalties on purely personal grounds, but a sort of dyarchy was instituted also, in the sense that the Ministry and the organisation were put under the control of different factions. For reasons given already, such an arrangement could last for some time, but not for ever. Some dispute or the other was bound to crop up and it did crop up over the question of the re-admission into the Congress Legislative Party of the 18 former Congress legislators who had resigned to form the still-born Prajatantra Party. Their opposition to Kairon was well known and so was Kairon's to them. So, when the Ministerialist group sponsored their case for re-admission into Congress, soon after assuming power, Kairon and his protege, P C C President Bhagwat Dayal Sharma, vehemently opposed the move.

And thus did the fight begin again. The Darbara Singh group would be satisfied with nothing short of the complete reorganisation of the Punjab Congress at all levels, particularly at the level of the Pradesh Committee. Specifically, the group asked for the removal of Bhagwat Dayal Sharma from office and the replacement of the P C C by an *ad hoc* committee. The demand was echoed by the former Speaker Shri Prabodh Chandra, who is now the Education Minister and one of the 'triumvirate' running the Punjab Government. Another member of the Ministerialist group, Brish Bhan, who could not become Minister because of certain adverse references to him in the Das Report also charged the P C C Chief of refusing to co-operate with the new government. He called upon the High Command "to effectively intervene in the Punjab Congress affairs by dissolving the existing P C C and removing its President, Mr Bhagwat Dayal, from office".

All these demands were, of course, made through the agency of the Press and Sharma also went to it to advise his opponents not to do so! But while he was powerless to do much against Darbara Singh and other Ministers, he hit back when the demand for his removal was re-iterated by the Presidents of as many as six District Congress Committees. They had been supporting Darbara Singh even when Kairon was in power and recently sent a Memorandum to the High Command asking for the dismissal of Sharma, with a copy to the Press. Whereupon, Sharma suspended them for having raised intra-Party controversies in public.

Balance of Power

It was at this stage that the High Command was jolted into action, but in its own way. Agreeing with Bhagwat Dayal that party controversies should not be aired in public, it advised him all the same to withdraw the suspension notices, and rather serve the six with warnings.

Such have been the developments of the first few weeks of the post-Kairon period in Punjab, which have put the High Command in a state of indecision. This is evident from its attitude towards the main and immediate cause of the present tussle between the two factions: the question of the readmission into the Congress of the 18 former defectors. It was solely on account of their opposition to Kairon personally, and not any ideological differences with the ruling party, that they had left the same. Kairon having gone, their readmission should normally have posed no problem at all.

But it seems that the High Command is eager to maintain some sort of a balance between the two factions, and not let the one become too strong at the cost of the other. While it cannot support Kairon in the matter, it finds it difficult to support the other faction also to the extent that would make it all-powerful. For the replacement of one satrap by another would not be very desirable. The dilemma is real.

—Narindar Singh

$4\frac{3}{4}$ PER CENT.
STATE GOVERNMENT LOANS, 1976.

State.	Amount (In crores of Rs.)	Issue Price per cent. Rs.
1. Andhra Pradesh.	11	99.50
2. Assam.	3	99.50
3. Bihar.	4	99.50
4. Gujarat.	7	100.00
5. Kerala.	4	99.50
6. Madhya Pradesh.	5	99.50
7. Madras.	14	99.75
8. Maharashtra.	15	100.00
9. Mysore.	7	99.50
10. Orissa.	8	99.50
11. Rajasthan.	5	99.50
22. Uttar Pradesh.	10	99.75
13. West Bengal.	7	99.75

All loans, except Kerala Government's loan, will open for subscription on Monday, 24th August 1964 and close on Saturday, 29th August 1964 or earlier without notice as soon as subscriptions approximate to the amount of each issue. The Kerala Government's loan will open for subscription on Tuesday, 25th August 1964 and close on Monday, 31st August 1964 or earlier without notice as soon as subscriptions approximate to the notified amount. All the State Governments reserve their right to retain subscriptions upto ten per cent in excess of the notified amounts.

The loans will be redeemable at par after 12 years i.e. 24th*/25th@ August 1976 and interest will be paid half-yearly on 24th*/25th@ February and 24th*/25th@ August each year.

Subscriptions may be in the form of CASH/CHEQUE in respect of all the loans.

Securities of 4% Bombay State Development Loan, 1964 and 4% Saurashtra State (Local Bodies Development) Loan, 1964 will be accepted AT PAR for conversion into the new loan of the Government of Maharashtra. Securities of 3% Madhya Pradesh Loan, 1964, Madras Government 4% Loan 1964, 4% Uttar Pradesh Loan 1964 and 4% West Bengal Loan 1964 will also be accepted AT PAR for conversion into the new loans of the respective State Governments.

Interest on the securities of 4% Bombay State Development Loan, 1964, Madras Government 4% Loan 1964, 4% Uttar Pradesh Loan, 1964 and 4% West Bengal Loan, 1964 tendered for conversion will be paid at the rate of 4% per annum upto 31st July 1964 inclusive and at $4\frac{3}{4}$% per annum for the period 1st to 23rd August 1964 inclusive. Interest on the securities of 4% Saurashtra State (Local Bodies Development) Loan, 1964 and 3% Madhya Pradesh Loan, 1964 tendered for conversion will be paid at the rate of 4% and 3% upto and inclusive of 23rd August 1964 and 31st August 1964 respectively.

Applications for **all the loans** will be received at the offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), Calcutta, Madras, Nagpur and New Delhi, the branch of the State Bank of India at Patna and the branch of the State Bank of Hyderabad at Hyderabad.

Applications will also be received **at other places within the respective States** as follows.—

i) Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work.

ii) Branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting Government treasury work.

iii) Treasuries and Sub-treasuries (except in the States of Assam and West Bengal) at places not served by the aforesaid branches

Copies of the Notifications and Application Forms may be obtained at any Receiving Office

Applicants tendering applications at the offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), Calcutta, Madras, Nagpur and New Delhi will, in the event of oversubscription to the loan applied for, be given the option of transferring their cash refunds to any of the other State Government loans which may still be open for subscription. To avail themselves of this facility, the applicants should complete the "Special Option Form" copies of which can be obtained at any of the foregoing offices of the Reserve Bank of India and tender the form along with their applications.

* For other Loans
@ For Kerala Loan

Capital View

Leaders, Prices, Perks and Perspectives

Romesh Thapar

STRANGE times, these! President Johnson, reacting to a minor attack on an the US destroyer in the Gulf of Tonkin, off the coast of North Viet Nam, orders an intensification of offensive patrolling in that area because it will sound good to those US voters who are beginning to succumb to that 'damn fool' Goldwater. Foreign Minister Bhutto of Pakistan speaks his psychopathic mind on Swaran Singh, Indira Gandhi, and, inevitably, Kashmir, knowing that by so doing he is just about blowing up the possibility of fruitful talks between 'we neighbours'. Sukarno of Indonesia, presiding over a bankrupt economy, invites Khrushchev to take over although aware that it will not be possible to double-cross him as he has done so many others who came to his aid. And Prime Minister Shastri has made clear that he will not use an electric lift to mount the ramparts of the Red Fort although doctors have warned against physical exertion after his recent heart attack.

No Positive Leadership

Strange, would you say? We are really rather hardened characters. We do not show surprise over S K Patil's attempt to usurp the functions of Foreign Minister Swaran Singh and Food Minister Subramaniam during his visit to the USA. We are unperturbed by Biju Patnaik's efforts in Delhi to mobilise the disgruntled politicians against the alleged interference of Kamaraj's High Command in the affairs of the Prime Minister. We watch with much amusement the carefully arranged 'unity talks' between those two opposites, Lohia and J P Narayan. And with amusement, too, we note that Shastri's friend, Raj Bahadur, is taking a swipe at Chief Minister Sukhadia of Rajasthan, that the old warhorse Deshlehra is again stirring against Chief Minister Misra of Madhya Pradesh, that Mitra in Orissa has had it and so, too, C B Gupta in Uttar Pradesh.

Political developments are strange only to the extent that they are not understood. The fact that we take these swings of the political pendulum in our stride indicates that we now know what is in the offing. This is all to the good. But the attempt by certain sections to philosophise these developments, to equate the consensus with stability, to suggest that there is a general acceptance of 'socialist democracy', only goes to show that forces are at work to cover up our major headache—the lack of positive leadership.

This lack is felt at every level, and no amount of mumbo-jumbo about humble, honest men can hide the fact that in the kind of under developed conditions which prevail here government is a matter of leadership. Mediocrity can pass in *developed* societies because it is soon enveloped, as it were, in expertise—but in India, there is danger that unless consciously directed mediocre leadership will trigger that other larger, relentless crisis, the economic. This is the fear that gnaws.

Does High Command Lead?

It is argued, and with a certain justification, that a westernised elite, accustomed to the style of a Nehru, should realise that wide sections are no longer fascinated by the sponsoring of a Kairon-type image, dynamic but corrupt, that they look forward to an era in which clean, ordinary men will rule, less ambitiously, honestly. It is debatable whether these 'wide sections' embrace rural communities or the urban poor, but, even if the argument is accepted, the direction of this new grassroots leadership in the States must come from somewhere. Will the men of money rule? Or the bureaucrats who now imagine that they combine within themselves the function of technocrats? Or the High Command of the ruling party, whatever that might mean?

And here's the rub. The element which provides the direction must be clear as to perspectives. The men of money know what they want. So do the bureaucrats. But few would relish the idea of surrendering political and economic initiatives to such groups. We are, therefore, compelled to turn our attention to the High Command of the Congress Party, composed of its ministerial wing led by Shastri and its organisational wing controlled by Kamaraj.

Does the High Command lead? In a policy-making sense, it has yet to apply its mind to the problems spawned by the spreading economic stagnation. It is generally admitted that the High Command is only obsessed with factional issues, how to consolidate this or that region for this or that person. This is a process which can go on for years, but can we afford to be so played with by cynical men?

Facing the Food Crisis

Were it only in the wide field of economic planning and foreign policy that the reluctance to take final and irrevocable decisions prevailed, many an independent observer would be prepared to wait and see. After all, it has not been easy to adjust to the passing of Jawaharlal Nehru. Time is needed to re-assess the internal situation and to agree on what role India will have to play in a fast-changing world. But the demoralisation stems from the extraordinary reluctance of the present leadership to address itself to the food crisis and the sharp rise in the price levels of essentials.

Those who are agitated, who point to the organised looting of goods trains, of trucks carrying foodgrains and godowns holding vital stocks, who warn that the sporadic demonstrations before collectorates, minister's houses and government buildings could easily escalate and become uncontrollable, and who claim that too much reliance is being placed on free food from abroad under PL-480, are told that the GOI 'is moving to cope with the situation'. Perhaps, this is a reference to Subramaniam's plan to take-over the wholesale trade in foodgrains by January 1965. But will things wait for this complex machinery to take shape?

Why is the central leadership refusing to adopt some of the measures which proved effective during the war: the banning of rice marketing in wheat-eating areas and vice versa; the marketing of only one type of wheat mixture; the barter of limited high quality rice for larger quantities of inferior varieties; the banning of foodgrains in restaurants and hotels; and the conscious popularisation of a movement to encourage alternative foods among those who can afford them. If the British *raj* could think of these measures for the towns, it cannot be that our humble, honest *dadas* are unaware of the need for some such thinking.

We seem to be waiting for January 1965 – that is, if you rule out some

of the official attempts to get at hoarded food, attempts which in Delhi appear to have worried the powerful so much that all police 'raiding' has been pended. If this is not a crisis of leadership, then I am afraid we shall never admit that a crisis exists. Probably, the powers that be are hoping that PL 480 commitments and a good [illegible] will change the outlook. Then when January comes, we can again start debating the merits and demerits of State trading in foodgrains [illegible] most of us.

Deliberate Drift

Obviously, some such confidence prevails. The first full Cabinet meeting held since Shastri's recent heart attack apparently did not have the food situation on the agenda, although top priority was given to a proposal to enable ministers to spend on their home a consolidated sum of Rs 38,000 (formerly divided into Rs 32,000 for furniture and Rs 6,000 for electrical fittings) in whatever way they think fit. Strange but, really, one will have to find stronger words to describe this deliberate drift in the hope that something will turn up.

The disease is infectious, terribly infectious. If the Centre has no desire to act, then, why should the States. If the States are free to the crisis [illegible], then why complain about the apathy at district, taluka, and village level? There is no leadership anywhere. Perhaps, the opposition parties will create the sanction for action. Perhaps. So far, the stress has been on provincial heroics — hunger strikers, believe it or not! Now, Dange's communists are threatening *satyagraha* by a 100,000.

Until confidence is created that government is going to act, individuals and households in town and village will assume that they have to act on *their own*. Petty hoarding is taking place at a variety of levels, more particularly among the producers in the village. Spread over the country, it embraces vast stocks and can easily defeat all the schemes that Subramaniam might attempt to implement. In other words, we can no longer be satisfied with an active ministry in an inactive government. The whole machinery of government will have to be set in motion to restore public confidence.

It is in this context that the lack of perspective, so characteristic of the present leadership, holds many dangers. The present food crisis underlines the need for well thought out long-term plans even as immediate problems are tackled. The ambivalent Congress Centrists have no alternative but to [illegible] to these [illegible] during the next few months. Indeed, they may be compelled to in the interest of national security.

A perspective in food production will dictate a perspective in other fields also. The logic inherent in our situation might force our leaders to lead. We await the signs — patiently!

THE BANK WITH SERVICE PLUS ✳

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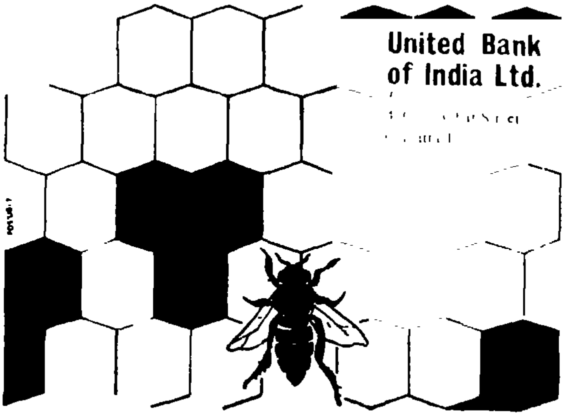
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Book Review

Technology as India's Proselytizer

N R Sheth

Workers, Factories and Social Change in India by Richard D Lambert, published by Gokhale Institute of Politics and Economics and Asia Publishing House, 1963; pp xiii + 247, price Rs 21.

THERE prevails to-day near-complete agreement on the need to industrialize so-called under-developed countries, and we are all witnessing world-wide attempts to achieve this goal. One aspect of these attempts is the growing awareness of the forces affecting the path of successful development. For a long time these forces were regarded as primarily economic. But in recent years social scientists, including some economists, have been conscious of the sociological dimension of industrialization. One of the prerequisites of effective economic growth is the creation and maintenance of a committed labour-force. It is widely assumed that the developed societies of to-day possess a dependable labour force because the impact of modern technology changed the structure and values of these societies so as to suit its needs. This assumption has lately been questioned by students of industrial societies, but it does serve the purpose of an ideal-type. The developing societies have social structures and value patterns different from those of industrial societies. Industrialization is, therefore, believed to generate a clash between traditional values and the values of technology. Labour is regarded as obsessed with traditional norms. But this shyness of labour is ascribed to the fact that non-industrial societies are at earlier stages of development. It is believed that technology will eventually have the same effect on industrializing communities as it had on the West.

It is necessary to remember that "industrial society" and "non-industrial society" are both ideal-types, subsuming widely different social structures and value systems. Any process of industrialization must basically be studied in concrete situations. Professor Richard Lambert has sought to examine the validity of the above assumptions in the context of India. The book reports a questionnaire-study of factory workers in Poona. The workers studied are not claimed as representative of Indian industrial labour, but as symbolizing a 'mode' since there is a tendency for industrialization in India to be allocated to places like Poona due to their economic suitability.

The specific issues that concern Lambert may be summarized in the form of following questions. (1) Is there a social selectivity among industrial labour? (2) Is there a possibility of 'inefficient' people crowding into factories owing to special recruitment procedures? (3) To what extent is labour committed to factory jobs? (4) Does the internal structure of a factory reflect the status structure in society? (5) How far has society moved away from the Weberian *Gemeinschaft* to *Gesellschaft?*

An Abstraction

A fact which is overlooked by some social scientists is that the term technology itself is an abstraction. Any discussion on it should begin by pinning down the stage of technology involved in given situations. To this end Lambert first distinguishes three types among the factories covered by him. Type A demands minimal skill from workers who are organized into gangs and keep the machines properly fed. In type B a worker is individually responsible for one or more machines, but is still engaged in repetitive process. Type C has the most developed technological process wherein the worker not only feeds but directs the machine, performing precise operations. The study is concerned with five factories of which three belong to type A (paper, biscuit and rubber) and one each to types B (textile) and C (engine). All problems are analysed in terms of this typology. In addition, the author makes a dichotomy between old and new factories on the basis of relative age.

Lambert apparently believes that all the issues he is concerned with can be handled within the framework of measurable quantities. As such he has presented his entire work in the form of a statistical treatise. This technique has an inherent advantage as it enables you to put every detail of a question into sharp focus and keeps you aware of microscopic variations existing in a social situation. There is, however, a limit at which statistics cease to catch social reality and this limitation is sought to be emphasised in this review.

The substantive part of the study begins with the degree of correspondence between the social attributes of factory population and those of the general population. Excellent socio-economic information on Poona is available thanks to researches at the Gokhale Institute. Comparison with regard to social characteristics such as sex, age, education, caste and family leads to the conclusion that there is little, if any, variation between factory workers and others. This implies that there is no social selectivity among industrial labour. The different types of factories also do not show notable variations in this respect, which suggests that technology at any stage has failed to have a proselytizing effect on social institutions. However, the more recent a factory, the more it seems to draw a personnel possessing qualities relevant to industry. The metamorphosis of society is then perhaps a question of time.

The next chapter deals with problems of recruitment and commitment. The data suggest that a large majority of factory workers had some experience in urban occupations; many had even previous experience of their current jobs. The problem of socialization of labour for the managers at was thus not as difficult as is often made out. From this point the discussion swings to the labour market. Contrary to what one would expect in a country with huge surplus of manpower, Poona workers are reported to have found little difficulty in finding jobs when they needed them. This is rather unconvincing since the measure of difficulty in getting a job can be adequately found only among the unemployed and the underemployed.

Commitment of labour can be gauged in terms of labour absenteeism and turnover. In the absence of adequate information on these, the author has turned to other criteria. He finds that workers stood at the lower end of the commitment scale with regard to family connections and desire to return home on retirement. Yet they were eager to seek factory employment in

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the event of retrenchment. This is regarded as an index of a fair degree of commitment. The relative seniority of workers in a factory is taken as another criterion of commitment, but it turns out to be deceptive. Towards the end, Lambert seeks to reformulate the concept of commitment in terms of the relative dominance of status and contract in society. It is also pointed out that commitment is a two-edged sword: absence of conscientious labour in India to some extent has been due to manipulations by employers.

Degree of Specialisation

The internal structures of the factories are analysed in the following chapter, with a view to showing how far the workers have moved away from a primary-group oriented production system to the more complex modern division of labour. Lambert observes that all factories mark a definite departure from the traditional production system in that work and society are distinctly separate and status in the one does not affect the other. Different factories have however carried specialization to different degrees. The factories of type A resemble in some ways the family type production system. Type B involves sharper division of labour and bureaucracy. Type C goes a step further as it requires not only specialization but also socialization of labour or higher skills. The three types thus mark stages in the development of technology from traditional to modern. This does not mean, the author argues, that groups based on social status do not affect more developed factories, but such groups are not formally reinforced. This, in the reviewer's opinion, is a moot point. If status groups do affect the working of a production system the net effect of the analysis presently under review is to repeat the typology made at the outset. A factory is basically founded on certain fundamental principles of industrial organization, and one does not need a statistically-oriented sociologist to prove that factories in India signify a departure from the traditional production system. It may be that too much preoccupation with figures sometimes gives an illusion of depth of analysis where none exists.

An attempt is then made to form a picture of the hierarchy of personnel within a factory. In the first place, the take-home pay is used as a basis of hierarchy. From type A to type C there is a progressive increase of higher wage-earners, i e, skilled workers. Subsequently, other criteria of hierarchy are used and their relative merits are discussed. The variations between the types are thus made sharper. The emergent generalization again appears like hair-splitting: the typology itself presupposes what is proved by means of elaborate statistical exercises. A section is devoted to the importance of clerks and supervisors as against ordinary workers. Although there is a sense in which clerks and supervisors are workers, one may wonder why these two categories above the ordinary workers are included in the study, while others are neglected.

In the last chapter, Lambert analyses the relation between status-distinction within the factory and social distinctions prevailing outside. The aim is to indicate whether there is a movement from ascribed to achieved status. Broad correlational trends are indicated but no decisive relation between social and occupational categories is found. The relative influence of caste and education upon job-status is specially discussed, and the conclusion emerges that "education, not caste, is the primary ranking variable". This is an important conclusion but it may be equally important to remember its naivete. It is based on a statistical categorization of caste as well as education and the indices of correlation between them give a highly static view of the situation. Caste and education, as they operate in society, are too elusive to yield to statistical dissection. This is not to doubt Lambert's handling of his material, but some may read too much in his findings as Professor Gadgil seems to do in his foreword.

Psychological Involvement

The psychological involvement of the workers with their work is also analysed. This part is based wholly on attitudinal data and does not warrant any definite generalizations. However, the discussion concerns methodological as well as substantive issues. The techniques of attitude measurement are subjected to rigorous examination and an attempt is made to adapt them to the Indian situation. This is a very valuable part of the study and social scientists concerned with measurement of attitudes will find it immensely useful. Substantial issues have, however, remained as vague as ever and one cannot make any useful statement on whether factory workers have been moving towards an achievement-oriented social structure. One may end up with a blurred picture of a neither-achievement-nor-ascription type of status system among Poona workers. If one takes achievement and ascription as qualitative attributes rather than as statistically defined categories, one may obtain a more realistic picture.

In conclusion the author gives some broad indications for the future. The introduction of a factory does not represent "nearly so sharp a break with the past" as the assumptions mentioned at the start seem to suggest. The factory of type C embodies all the attributes of the modern society, but the trend all along appears to be towards type B. This is because there is a tendency on the part of trade unions and the government to fix rewards for different types of labour. Lambert sees this as a block in the way of a fully industrial rationalized society. This may be a hasty extrapolation. All fixing of reward is not a hindrance to aspiration and mobility; there is often some kind of rationalized reward-system superscribed on a theoretically fixed wage pattern, as indeed the author has found in Poona.

Gadgil has attempted in his foreword to add new dimensions to the picture presented by Lambert. The emphasis by workers on security rather than on mobility may, for example, be due to conditions of the labour market and not just due to traditional values. What the study does, however, is to show up that facet of the problem of economic development which has long been disregarded by economists and others. Therein lies the value of Lambert's labours.

Iron Ore Production

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Population Assumptions and Policy

Pravin Visaria

This note examines whether, and how far, the population projections of the Third Plan, made in 1961, stand in need of revision in the light of later developments. It is also intended to:

(a) review the implementation of family planning programme; and,

(b) analyse the proposed re-orientation of the programme with the objective of achieving a more rapid decline in the rate of growth of population.

THE current discussions on the perspective of development during 1966-76 seem to assume that the population growth over the period 1961-76 will follow the projection presented in the Third Plan. According to that projection, the Indian population will number 492, 555 and 625 millions in 1966, 1971 and 1976, respectively. The projection was based on the assumptions that

(i) the expectation of life birth of 47.5 years in 1961 would increase by 0.75 years annually upto 1966 and by 0.50 years upto 1976; and

(ii) the general fertility rate of 189 per 1,000 will continue upto 1971 and then decline by 10 percent by 1976.[1]

The rapid population growth is, of course, recognized as a serious impediment to the achievement of a better standard of life. Consequently, a big expansion in the scale of effort to propagate family planning is envisaged in the next two Plans and it is proposed to cover, by the end of the Fifth Plan, the entire country by a net-work of family planning clinics for advice and assistance and for subsidised supply of contraceptives. However, no significant reduction in the population growth rate is hoped for over the next 10-12 years on the ground that the fall in death rates will offset any decline in birth rates that may occur. *Prima facie*, this appears rather pessimistic and quite out of line with the general optimism regarding the feasibility of raising substantially both the investment rate and the rate of growth of national income.

I

Bitter Lesson

It must be admitted at the very outset that the task of population projection is notoriously full of pitfalls. The Indian planners have learnt this lesson the hard way, and that probably explains the apparent pessimism regarding the prospects of lowering the rate of growth of population. A brief review of the population assumptions of our Plans so far will make this point clear.

The perspective of development presented in the First Five Year Plan assumed a steady growth of population at the rate of 1¼ per cent annually, or a population of 500 million by 1976. The draft outline and the final draft of the Second Plan continued to rely on this assumption and estimated the annual growth rate of population during the Plan period at around 1.2 to 1.3 per cent. However, the preliminary draft of the monograph by Professors Ashby J Coale and Edgar M Hoover, based on research initiated in Princeton, U S A, in 1954 and a visit to India during late 1955, was privately circulated for critical comments in July 1956. This monograph, published as a book in 1958, must have given a jolt to our planners, for the authors estimated that with the fertility level unchanged, the size of India's population (excluding the population of Jammu and Kashmir and the tribal areas of Assam) in 1961 would be 424 million persons and not 401 million as was believed by the Planning Commission (for the same territory).[2] The findings of the Fourteenth round of the National Sample Survey indicated a rate of increase of 19.2 per thousand in rural India and confirmed the need for a revision of the population projections for the Third Plan. The draft outline of the Third Plan indicated a provisional acceptance of a C S O projection visualizing population of 431 million in 1961 and 460 million in 1966. Between the draft outline and the final Third Plan came the 1961 Census estimate of the enumerated population of 438 million, exceeding the figure assumed earlier by about 2 per cent. Following this surprise, an Expert Committee revised the population projections in the light of the 1961 Census and one of the projections of this committee was accepted as the basis for the final Third Plan.

It is evident that so far our planners have not had much luck with population projections. But it is desirable to consider at this stage whether and in what ways the 1961 projection needs to be modified so that the population estimates for the current decade may come closer to the actual results when the 1971 Census is taken.

In fairness to the Expert Committee that made the 1961 projections, it should be noted that the committee recognized that the age distribution of population from the 1961 Census and life-table based thereon would provide more dependable material for projections than that available at the time. It is to be expected, therefore, that the final draft of the Fourth Plan will, indeed, be based on revised estimates of population for 1966-67.

1961 Census Data

Let us now review the 1961 Census data and other factors that will need to be taken into account in making a revised projection.

Population size: The final figure of the total population enumerated at the 1961 Census is 439.2 millions—1.2 million higher than that used in making the projection.

Age Distribution: The enumerated population of 1961 has a younger age distribution than was envisaged in 1961. The percentage of total, male and female population below the age of 15 is, according to the data adjusted by Shri S P Jain, 41.1, 40.6 and 41.7, respectively, instead of 40.2, 40.1 and 40.3, assumed in 1961.[3] The difference is most marked in the ages 10-14 and 0-4. The higher percentage, particularly of females, in these ages in 1961 implies that the number of new entrants to the reproductive ages during 1961-66 and 1971-76 will be higher than was expected earlier. As a result, if the fertility rates in the ages 15-29 remain unchanged, the number of births during the next 10-15 years would be higher than envisaged in 1961. In other words, the younger-than-expected age distribution of the 1961 population holds prospect of a further rejuvenation in the next 10-15 years unless fertility declines during the period.

Expectation of Life: The 1961 age distribution is younger than that of 1951, largely because of the higher





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growth rate during the decade. The other possible factor of a better coverage of the young population and/or better age reporting than in 1951 is difficult to evaluate in quantitative terms. The higher growth rate itself seems to be due to the rapid decline in mortality during the last 10-15 years. According to the life-tables prepared by the Census actuary on the basis of the 1961 data, the expectation of life during 1951-60 was 41.2 years for both sexes together, 41.9 years for males and 40.6 for females.[4] The corresponding estimates for 1941-50 were 32.1 years for both sexes, 32.4 for males and 31.7 years for females. The reference dates of these estimates are usually taken to be the mid-points of respective decades.

Expectation of Life

Thus the expectation of life for both sexes has increased during 1946-55 at an annual average rate of 0.9 years, although the gap between males and females with respect to the expectant life-time, adverse to the fair sex, has increased. If the same rate of improvement were to continue, the expectation of life at the start of 1961, for both sexes together, would be estimated at about 45.8 years. Interestingly enough, an application of the quasi-stable population model to the 1961 age distribution has given an estimate of 44.96 years as the expectation of life for both sexes during the year ending March 31, 1961.[5] The difference between these two figures and that assumed in the projection accepted for the Third Plan (47.5 years) is not very large in absolute terms. But to move from an expectation of life of 41.2 years at the start of 1956 to 47.5 years in 1961 would imply an average annual increase of 1.2 years. This rate is certainly not impossible. In fact, same acceleration in the rate of improvement in the expectation of life during the Second Five Year Plan appears quite reasonable. However, if this rate is taken to be 1.2 years per annum during 1956-60, one would probably expect a correspondingly higher rate of improvement in the expectation of life over the period 1961-76 Alternatively, the estimated expectation of life in 1961 may be assumed to be somewhat lower than 47.5 years. In our opinion, the latter alternative seems to be more reasonable.

In any case, for purposes of the projection, the initial expectation of life is less important than the rate at which it will improve. It is generally argued, and with some plausibility, no doubt, that once the gains in expectation from malaria eradication and similar programmes are realised, the future improvements will depend on a general rise in the standards of living and will be relatively more difficul to attain. This is the rationale behind the 1961 assumption that the rise in the expectation will be slow during 1961-66 compared to that during 1956-61 and slower still during 1966-76. There is reason to believe, however, that if the substantial investments in rural and urban water supply and sanitation prove effective, that will have a significant impact on both morbidity and mortality. One hopes that until our vital statistics attain a certain degree of comprehensiveness, we shall keep ourselves informed of the rate of progress through periodical sample surveys so that we are not once again taken by surprise as in 1958-59.

Fertility: Fertility is, of course, a key variable in population projection. And the family planning programme, to be discussed in the next section, is no doubt geared to the goal of reducing level of fertility. But the birth rate of 41.7, estimated by Shri S P Jain for the decade 1951-60, implies a slightly higher level of fertility, that was assumed in 1961. The assumed general fertility rate of .189 seems low by about 3 per cent. The difference between the more recent figure and that assumed in 1961 is thus relatively small but it will nevertheless need to be taken into account.

Immigration: One of the factors responsible for the excess of the 1961 Census estimate of the enumerated population over the earlier projections might be that the projections were all based on the assumption of nil net international migration. Actually, the data on religion suggest a considerable immigration into India during 1951-61 of both Hindus and Muslims from East Pakistan. As the events of the past few months have shown, such immigration is not a matter of the past, at least so far as the Hindus in East Pakistan are concerned. Similarly, Indians returning from Burma after 1961 will also form a not insignificant number. While as a percentage of the total population of India, the number of net immigrants may be small, it should be taken into account while revising the population projections.

It is not possible here to make a quantitative estimate of the extent by which the factors mentioned above will alter the estimates of population for 1961-76; but it should be evident that the estimates are likely to be raised upwards. In effect, unless the fertility level declines, population growth is likely to constitute an even more serious threat to our targets of per capita income/consumption than has been the case so far.

II

Population Policy during the Plans

The above conclusion logically leads to a discussion of population policy. It is well-known that promotion of voluntary family limitation has been an accepted state policy ever since 1952 when the First Plan was published. The proposed outlay on the programme has increased from Rs 50 lakhs in the First Plan to Rs 5 crores during the Second Plan and Rs 27 crores (with a ceiling of Rs 50 crores) during the Third Plan. The actual expenditure has been less than the proposed outlay—Rs 16 lakhs during the First Plan and Rs 2.29 crores during the Second Plan. The expenditure during the first two years of the Third Plan and the budget provision for 1963-64 together add up to only Rs 7 crores—a little over one-fourth of the total outlay.[6] Of course, the evaluation of a programme on the basis of expenditure is in some ways misleading. But it shows that the paucity of funds has not obstructed the success of the family planning programme.

The main emphasis of the programme has been on family planning clinics. In the Third Plan, voluntary sterilization was also accepted as having a valuable contribution to make to the programme. At the end of the Second Plan, the number of clinics was 1,379 in rural areas and 757 in urban areas. The Third Plan proposed the target of a total of 6,100 rural and 2,100 urban clinics. At the end of 1962-63, however, the actual number of clinics was 2,039 in rural and 966 in urban areas or a total of 3,005. The number of reported sterilizations during 1956-1962 was nearly 3.75 lakhs, nearly three-fourths of which were vasectomies on males.[7]

However, the pace of progress has been too slow to make any impact on the birth rate, except probably in Madras State where the birth rate during 1951-60 has been estimated at 35 per 1000. Various surveys on attitudes to family planning, both in rural and urban areas, have reported a very large proportion of the population to be willing to learn about and practice family limitation. But the verbal res-

ponses do not really indicate the willingness to act and the readiness to use regularly the rhythm method or other contraceptives has been found to be weak. The one case in which the birth rate of a population exposed to an intensive programme of promoting family limitation has shown any decline during the tenure of the study has been an experimental area around Singur Health Centre near Calcutta. There, in a rural population of about 8,000 the birth rate declined, between 1956-61, by 18 per cent over the initial value of 45 per 1,000 population and by 14 per cent when compared to the 1961 birth rate in the control population."

Revision of the Programme

More recently, the entire family planning programme is being reoriented. The 1962-63 report of the Director of Family Planning has proposed that the main goal of the programme should be "to accelerate the rate of adoption of family planning so as to reduce the birth rate in India

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to 25 births per 1,000 population by 1973." To achieve this laudable objective of lowering the birth rate by 40 per cent over a decade, the programme will undertake two primary functions of

"(1) educational work, which can produce the group support needed for adoption of family planning and provide specific information about contraception; and,

"(2) supply of contraceptives through channels which pose the least possible psychological or physical barriers to obtaining them."[9]

The clinic approach hitherto in vogue is to be replaced by the development of an extensive community extension programme in family planning, with the clinics playing the role of providing special services.

If even a 20 per cent drop in the birth rate can be attained by 1973, it would have a noticeable welcome effect on the age distribution of the population and to a lesser extent on its size, depending on the time when the decline starts. Persons responsible for preparing the current blueprints for the Plans for the decade 1966-76 do not, however, seem to be sanguine of much success beyond, probably, restricting the growth rate of population to the levels visualised in the Third Plan projections. It cannot be denied that such a cautious approach has a lot to recommend itself. However, in view of the possibility that if fertility does not decline, the growth of population during 1961-71 would be in excess of that visualized in the Third Plan, the task of lowering the birth rate acquires added urgency.

The Extension Approach

The extension approach to family planning can be justified on the ground that family limitation needs to be a voluntary decision on the part of millions of individual couples in our democratic society. But the experience in the Plans to raise agricultural output through extension suggests that simultaneously with an extension approach, it would be worthwhile to undertake an intensive programme of promoting family limitation among selected segments of the population which are most likely to respond positively and which set the norms of community behaviour emulated by others. Such an approach can supplement the extension method by taking advantage of the 'demonstration effect' of the elite groups of population who radiate the modern influences into the countryside.

The armed forces and the ancillary civilian personnel, the staff of Central and State Governments and of the public enterprises such as the railways and the population of urban areas can be the targets of an intensive campaign of education through, among other things, 'mass communication' and 'mass propaganda' which are talked about but not really used.[10] These groups largely literate or otherwise exposed to a host of modern influences, can well be among the first to undertake regular use of contraceptives and through their contacts with the countryside can usefully supplement the efforts of family planning extension workers.

At the same time, the campaign in the rural areas can be accelerated considerably if a devoted band of social workers can be enlisted in support of the cause. It is a great pity in this connection that the Bhoodan workers and members of the Sarva Seva Sangh or, in general, the Gandhian workers active in the countryside, continue to maintain a hostile attitude to the family planning programme. While the late Rajkumari Amrit Kaur gradually realised that there was no alternative to the use of the so-called 'artificial' contraceptives for family limitation, the remaining Gandhian workers have held fast to their rigid approach. If these workers can be convinced of the urgency of the problem and work for the success of the family planning programme, there can be a substantial change in the atmosphere in the countryside.

Sex Education

Further, the load of family planning propaganda can be made somewhat lighter if sex education including some instruction in means of family limitation can be introduced in, say, the final year of high school when the boys and girls would be around 15-16 years in age. Apart from its contribution to the family planning propaganda, such education will be a welcome preparation for married life for those who terminate their studies at the high school level. The Mudaliar Committee on Health Survey and Planning was lukewarm to this idea and hesitantly suggested its adoption only in colleges.[11] But in urban areas at least the climate seems to be ripe for the introduction of this very useful measure. Special instructors can easily be trained for the purpose and they can go round the various schools.

Finally, a brief reference may be made to the two controversial issues of economic incentives for family limitation and the desirability of legalising abortion. As for the first, it is evident that the savings to the community from preventing each additional birth are large enough to permit the payment of a substantial sum. But the schemes on this subject need to meet the criteria of equity, effectiveness, and political acceptability and administrative feasibility. Some five members of the Mudaliar Committee recommended (a) the levy of a graded tax from the fourth confinement onwards at least in a large section of the population and (b) the removal of disadvantages regarding income-tax in respect of unmarried persons.[12] In our opinion, the former can be a useful propaganda piece to impress the importance of family limitation; but it should be related not to confinements but the number of living children at the time of particular confinement. As for the latter, there is everything to be said for it because the postponement of marriage is one of the costless means of population control, one which has been adopted extensively in Catholic Ireland. While it is doubtful whether the present income-tax disadvantage to the unmarried is an incentive to get married, the distinction is certainly out of tune with the current policies of restraining population growth.

Abortion

As for abortion, it has been adopted on a wide scale in Japan and Eastern European countries and has been instrumental in lowering the birth rates of these countries substantially. Legalisation in India making abortion legal is often advocated on the ground that the incidence of illegal abortions, done at a very high cost, is high and that legalisation of abortion would lower the costs as well as ensure proper medical attention to those wanting it. The counter-argument points to the continuation of illegal abortions simultaneously with legal ones in Japan and elsewhere. But a stronger counter-argument is that the necessary surgical facilities are available only in very few areas. Unfortunately, the issue also has moral overtones.

Reliable data on the incidence of abortion are absent in most countries. One estimate for India puts it at about 10.2 per 100 pregnancies and suggests that it is often practised to terminate unwanted pregnancies occurring through the accidental failure of contraceptive.[13] This figure is, in all probability an underestimate. Since unwanted children can be both an economic and psychological burden, a

modification of the present rules is certainly called for. Under such a modification the maternity homes and other qualified surgeons can be permitted to perform abortions in cases where there is evidence of regular practice of contraceptives before the abortion or a sufficiently strong motivation to practise family limitation through either sterilisation or other relatively effective contraceptives. In other words, it would be feasible to ensure that where abortions are legalised they are not resorted to repeatedly as a substitute for contraceptive but only meet the difficulties of hard-pressed persons, strongly motivated to restrict their family size.

To conclude, the revised population estimates for the next 10 years will almost certainly be higher than those given in the Third Plan, unless the birth rates decline. The need for an effective, multi-pronged, family planning programme, offering a very wide range of choice of methods to the couples is urgent. The proposed extension approach needs to be supplemented by an intensive campaign in selected groups of population which can have a demonstration effect and can help establish new norms about the ideal family size. Some hitherto controversial suggestions also need to be considered in an unbiased manner so that the goal of lowering the level of fertility may be achieved as rapidly as possible.

Notes

1 "Third Five Year Plan", pp 750-752.

2 Anslay J Coale and Edgar M Hoover, "Population Growth and Economic Development in Low-Income Countries," Princeton University Press, Princeton, 1958, p 42.

3 Census of India, Paper No 2 of 1963, "1961 Census: Age Tables," Part II, p 100; *Indian Population Bulletin*, No II, August 1961, pp 129-134.

4 Census of India, "1961 Census: Life Tables, 1951-60."

5 Census of India, Paper No 2 of 1963, *op cit*, Part II, p 57

6 B L Raina, "Family Planning Programme: Report for 1962-63", Directorate General of Health Services, New Delhi, p 7; and the Five Year Plans.

7 *Ibid*, pp 15, 74 and 75.

8 *Studies in Family Planning*, a publication of the Population Council, No 1, July 1963.

9 B L Raina, *op cit*, pp 44, 52.

10 The armed forces are usually instructed in the prophylactic use of rubber contraceptives. A certain re-orientation in instruction can impress on their minds the urgent need for practising family limitation. This service can be extended further to the civilian personnel attached to the armed forces.

11 Government of India, Ministry of Health, "Report of the Health Survey and Planning Committee", (August 1959-October 1961). Vol 1, p 403.

12 *Ibid*, pp 407-409.

13 *Family Planning News*, Vol 4, No 9, September 1963.

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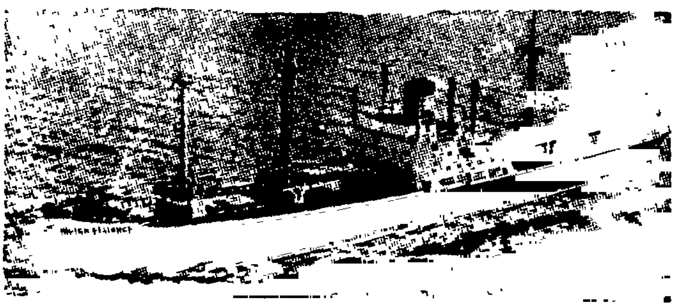
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Depletion Allowance in Coal Industry

A B Ghosh

Increasing costs of coal-bearing properties and the urgency of encouraging mechanisation of mines justify the granting of depletion allowance on cost-basis for all acquisitions of coal bearing lands after a fixed date.

The problem of depletion allowance does not exist for properties held on payment of a periodical rent by the operator of the mine. Where, however, the operator has proprietory rights acquired at a cost, the urgency of the need for depletion allowance depends on the magnitude of the cost relative to the extracted plus unextracted quantity of coal.

The older proprietors, having acquired their collieries from zamindars at prices extremely low considering the extent of the reserves, did not feel the burden of acquisition. But recent proprietors or even older ones attempting expansion through new purchases with a view to mechanisation, have a sound case for being granted depletion allowance.

Implementation of any scheme for grant of depletion allowance, however, would depend on a satisfactory solution of the problem of eliminating intermediaries.

DEPRECIABLE assets can be of four types, viz, (a) inherently wasting material assets on which labour and capital had been invested (e g, a machine), (b) inherently wasting material assets consisting of natural resources only (e g, a mineral area); (c) wasting rights to material assets which did not themselves waste (e g, leases of land); and (d) wasting rights to 'immaterial' assets which might themselves be of limited duration (e g, patent rights).[1] A manufacturing indus'ry is interested in the first type. The proprietor of a coal mine is interested also in the second type which gives rise to the demand for depletion allowance.

The case for depletion allowance can be broadly stated as follows: Given the demand schedule for a manufactured product, the production unit has, more or less, a perpetual life: for, the plant and equipment can be reproduced at the end of the appropriate period of time through the investment of the depreciation reserve built up during the period by the annual deductible charge to revenues permitted by the Tax Authorities. For a coal mine, however, recapture of the value of *building* and *equipment* at the end of an appropriate period of time through the permitted depreciation reserves accumulated over a period, does not help perpetuation of the production unit, with a given demand schedule, as the main asset, the mine, is a wasting asset of type (b) above.[2] Unless, therefore, investment in *coal mines as such* is permitted as a deductible item for income tax purposes, the investor in coal mining is discriminated against compared to the investor in a manufacturing industry. The claim is therefore put forward that the *actual cost of acquiring* a *coal mine* be charged to revenue over a period of time in the form of depletion allowance that would have the same relation with type (b) wasting asset as exists between depreciation allowance and type (a) wasting asset.[3]

The above may be elaborated. A depreciation reserve provides for the replacement of capital assets of particular categories (emphasising the *real capital* aspect) when demand for the product is constant, and for diversion of productive resources when demand for the product changes (emphasising the *finance capital* aspect). Provision of depreciation allowance[4] by Tax Authorities to arrive at the assessable income looks after the above aspects in the case of reproducible capital assets i e (type (a) wasting asset in any economy whether comprising of public sector only (that has acquired the asset with or without compensation payment) or a mix of public and private sectors.

Depreciation and Depletion

In the case of irreproducible or irreplaceable assets, e g, a coal mine, depletion reserve provides not for the *real capital aspect* but for the *finance capital* aspect mentioned above whether the mines come to the possession of the public or the private sector with or without compensation payment.

The fundamental distinction between depreciation and depletion allowance is that "the factors of expiration of time, natural decay, wear and tear, and obsolescence, which are so prominent in considering the question of depreciation of industrial plant are absent" in the case of a mine: "for, in the case of the mass or source of natural raw material and of land intended for sale, the only question for consideration is the proportion which the annual depletion of the mass bears to the whole mass (known or estimated) which originally represented the capital outlay".

This *distinction* while oddly pointing to a *common problem* of all wasting assets, viz, the problem of valuation, emphasises the special difficulties in the case of mines owing to the uncertainty of measuring the magnitude of the mineral bed inside the earth's crust. This is minimised where the cost of acquiring the mine reflects its bedded store of minerals. It is no doubt impossible "to determine with accuracy the proportion which the annual waste taking place in the property of collieries, mines etc bears to the total cost of such property. It is, however, always possible to obtain sufficient data to fix the value of such property for selling purpose, and this is generally done by means of estimates of the total number of tons of ore contained in the mines, the assay value per ton, and the cost per ton of raising, smelting and marketing, from which data a capital value is fixed, which is considered by the purchasers safe and sound enough to justify them in risking their capital in the venture".[5]

Denial of depletion allowance gives rise to an anomaly where a colliery is worked on a royalty basis. The U K Royal Commission on Taxation of Profits and Income (1955) pointed this out in the following:

> "If a mineral area is worked on a royalty basis, so that the right of ownership of the minerals is acquired by annual payments, the royalties are in effect recognized as a charge against taxable profits, either by being treated as a deductible expense or by being treated as the subject of tax recoupment against the recipient. They are taxable income of the recepient. Yet, if a mineral area is acquired by outright purchase and then worked, exactly the same practical operations take place. The mineral extracted is the raw material of the mining venture, it is extracted and sold, or extracted and pro-



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duced and sold, and the proceeds of what is sold are in part the operator's price for what he himself has bought. But under the present system (in U K)[7] the gross proceeds of his sales have to be brought into the account of his profits without allowance for the cost of acquiring, what is, in effect, his stock" (Para 431).

In both cases the colliery will come to an end, "and, therefore, each annual revenue account, containing revenue produced by the sale of that product, must be charged with a proportion of the cost of the property before there can be any profit for the year."[8]

Although, as noted above, coal bearing property can claim depletion allowance *mainly* from the *finance* capital aspect, there is here a *real* capital aspect also, issuing out of the problem of conservation of natural resources. The obligation to conserve resources for future generations introduces the inter-temporal social opportunity cost which necessitates a mark-up of price to reduce present consumption. This mark-up takes care of at least the interest on unauthorised portion of the asset.[9]

There are three methods of calculating depletion allowance viz cost method, percentage method and discovery method. The cost method is comparable to the unit of production method of calculating depreciation allowance. The total cost to be written off is divided by the estimated number of units of the unextracted mineral to determine the charge per unit. Where, however, the basis is not cost but fair market value on some date, the valuation problem is much more complicated and controversial than that of a building, machinery or equipment. Under the percentage method a percentage of the gross income from the coal bearing property is deducted during the taxable year. Computation under the discovery method "is similar to the computation under the cost method, except that the basis is the fair market value at the date of the discovery of the mineral by the taxpayer,"[10] or within a specified number of days thereafter. (See also Section III Para 5 below).

When depletion allowance is permitted by Tax Authorities, financial position of the production unit is improved through enhancement of its ability to increase its investible resources both internally and externally.[11] In U S A depletion allowances are a major component of internal financing in mining. Taking mining and manufacturing companies together, depletion accruals have, in recent years, amounted to approximately 29 per cent of the total amount of depreciation and depletion accruals and approximately 15 per cent of gross internal financing.[12]

It is sometimes contended that shareholders in mining concerns often prefer to take their proportion of surplus profits in the form of dividends and make their own arrangement for depreciation. Even if this were true, it is not clear why this concession should be granted to shareholders in mining concerns only and leave the consumption of capital resources to their choice. In fact, the case for depletion allowance, as noted earlier, rests not only on the need to distinguish between capital and revenue and to avoid payment of tax by mining concerns on capital as well as income but also to prevent capital consumption.

II

A depletion allowance is permitted by governments of most of the industrially advanced countries in their mining taxation structure,[13] with the exception of United Kingdom. Yet a fuller treatment of U K's case is quite relevant owing to the traditional influence of her economic thinking and practice on official thought and policy in India. The Colwyn Committee in 1920 had disposed of the claim for depletion allowance as follows. "If the proprietor of a mine that produces an income of £5000 a year is to be granted an allowance sufficient to enable him to replace his capital when the mine is exhausted, it would be inequitable to refuse an analogous allowance in respect of the initial capital invested in the education and training of a lawyer or surgeon or workman whose earning power is possibly of a shorter duration than the life of the mine". (Para 182). The strength of this plea has considerably diminished since by the gradual acceptance of the latter idea though not to the fullest extent. Kaldor says, "In some countries (particularly, I believe, in some of the Scandinavian countries), an attempt has been made to widen the range of expenses allowed for an employee so as to embrace expenses incurred for the general maintenance of earning capacity".[14] Yet, it was only as late as 1949 that U K conceded a depletion allowance to purchases of only overseas mineral rights by U K citizens.

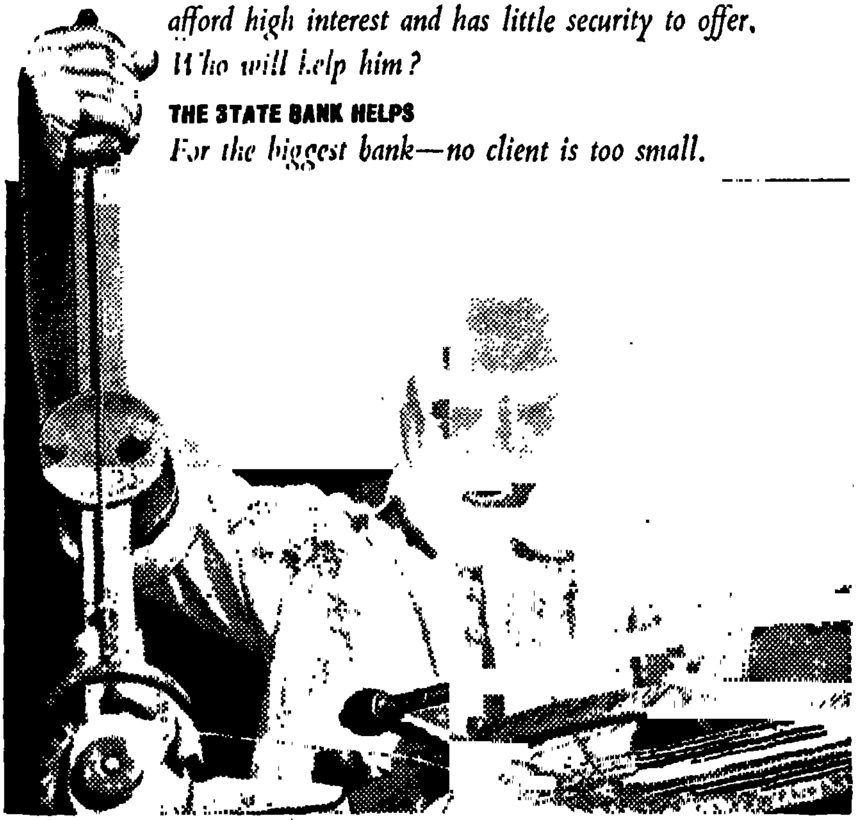
The U K Royal Commission on the Taxation of Profits and Income (1955) recommended depletion allowance in respect of the acquisition of mineral rights or areas in future for sums paid only after the introduction of the scheme the basis of "relief being the actual monetary cost less any residual value of the land at the close of working". They rejected the suggestions made by some witnesses to the effect that, "(a) depletion allowances should take the form of a fixed percentage of gross income or profit, irrespective of the money actually spent on acquisition on the lines of various schemes which they cited as appearing in the tax code of the U S A, Canada, Southern Rhodesia and other territories; or (b) that a depletion allowance in respect of cost should be capable of free acceleration at the option of the mine operator", because they did not consider that "the circumstances of a mining venture are sufficiently peculiar to warrant its operator being granted a form of depreciation allowance which is of a different nature from that granted to the rest of industry and commerce under our system" (Para 445).

Considering a familiar argument against the grant of depletion allowance that "if an allowance for depletion is given to the mineral venture, then unless the money received by the vendor is charged to tax there will be a contraction of the tax base, and a loss of the tax which ought not to be allowed in the interests of revenue", (Para 437), they pointed out in reply that it will be an impossible rule to say that a payment by one person cannot be allowed as a deduction unless it can be taxed as a receipt of another and maintained that the argument is based on the assumption "that there is in the country a taxable fund of 'economic' income attributable to the capital represented by the assets of industry and commerce as a whole and that this fund ought not to be affected by allowance for any sums paid by individual taxpayers for the acquisition of natural resources upon the creation of which neither labour nor materials have been expended". (Para 439). Stressing the impossibility of ensuring that the tax allowance permitted to one would be exactly equal to the tax imposed upon another they rightly state that, "No doubt there lies behind the theory of the 'tax base' a real misgiving that if a mining venture is allowed a depletion allowance in respect of the cost of its mineral area inflated sums will be paid as the price of acquisition. But it does not seem to us that this danger ought to be averted by the process of attributing an unreal profit to the operator of the mine. There would be no difficulty in making special provision for collusive sales . . . . But this affords no valid reason for maintaining a rule that computes the tax-

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able profits of a mining venture upon a basis which declines to recognise an obvious element of cost" (Para 440). Characterising as dogmatic the assertion that the granting of a depletion allowance to the purchaser of a coal mine will merely result in a higher price "*protanto* being exigible by the vendor" that asserted that "actual transactions of purchase and sale do not arrange themselves as neatly as this ..... and since we do not look upon the vendor's receipt as being naturally taxable as income we are not disposed in any event to favour a distorted method of taxing the purchaser's profits in order to do indirectly what we do not wish to see done directly". (Para 444).

Inspite of the strong support for depletion allowance given by the 1955 Royal Commission in U K, the coal industry there is not permitted this allowance. (See Section III Para 5 below). However, "an initial deduction of 20% is allowed with respect to the cost of the construction of mining facilities which are likely to be of little value at the time when the mineral deposit is exhausted or abandoned. There is also an investment allowance of 20% for new expenditure incurred after April 7, 1959. The two may be claimed in respect of the same expenditure. For winning access to mineral and oil deposits annual allowances in the nature of depreciation allowance are granted for expenditures on exploration and testing". (*Taxation in U K* World Tax Series. Harvard Law School 1957. Pages 295-296). The similarity between the British and the Indian system will be evident from below.

III

Indian mining industry's case for special treatment regarding depreciation and depletion allowance was considered by the Taxation Enquiry Commission (1953-54). They recommended some concessions to minerals of the non-bedded variety (Vol II, Page 93).

Mining operations involve expenditure of the following types, e g (1) expenditure on the acquisition of the mineral property; (2) preliminary expenditure on exploration; (3) expenditure on development after exploration; and (4) expenditure on buildings, machinery, plant etc other than those included in (2) and (3) above.

The first type of expenditure consists of (a) dead rent and surface rent for the surface area used which is usually payable annually, (b) royalty payable periodically, and (c) a capital sum in lieu of or in addition to, royalty, in the form of a premium on lease or of *salami* (TEC Vol II Page 87). In respect of coal, dead rent and surface rent are allowed as deduction from income for income tax purpose; royalty is treated as an admissible deduction where it is calculated on production or as a charge on profits, but not where it is in the nature of a sharing of profits;[15] and *salami* is prohibited by the Mineral Concession Rules 1949 for all leases following that date. The Taxation Enquiry Commission recommended that *salami* expenditure against profits for losses preceding 1949 be allowed "as a charge against profits spread over a specified number of years" (Vol II Page 88 Sec 9).

As regards the second type of expenditure viz preliminary expenditure on exploration, neither the private sector in coal nor NCDC has to incur it today as the Geological Survey of India and the Bureau of Mines have been entrusted with the task.

The third and the fourth types of expenditure may be considered together. The present position is that besides the normal rates of depreciation for building, furniture and fittings, and ropeway structure allowed to industries in general, the income tax authorities provide for the following special depreciation rates for mines and quarries e g surface and underground machinery 15 per cent, boilers and head gears excluding moving parts 8 per cent, shafts and inclines 7 per cent, portable underground machinery 25 per cent and tramways on the surface 10 per cent; renewals on coal tubs, winding ropes, haulage ropes, sand stowing pipes and safety lamps are allowed as revenue expenditure in the year concerned.[16] The coal industry tax payer should be allowed the option, as recommended by the Taxation Enquiry Commission for non-bedded minerals, to claim either the rates of depreciation mentioned above or "that the original cost of such plant or machinery and buildings, less their estimated residual value at the time when the mine is likely to cease working may be amortised." (Vol II Page 92 Sec 24).

Regarding development expenditure the coal industry like others has been enjoying the normal depreciation allowance, extra allowance for double shift and development rebate. This last was increased from 20 per cent to 35 per cent in 1963-64 for a period of three years.

As regards depletion allowance the Taxation Enquiry Commission commented on the three types mentioned earlier that the first type "served exactly the same purpose in respect of wasting assets as depreciation allowance does in relation to fixed assets" and the latter two forms "now acts more as an incentive than as amortisation of a necessary element of cost in order to arrive at the true profits of a business" (Vol II Page 95). For non-bedded minerals they recommended amortisation of original cost and proposed to provide incentive through either the development rebate or a system of tax holiday because the operation of the discovery value method of incentive "will be difficult as the art of estimating the ore content and its value has not yet developed in this country; and hence such a concession will be largely based on guess work;" and the maximum benefit of the percentage method will be secured by "long-lived prosperous concerns which are already making substantial profits and which, therefore, are least in need of any tax incentive. On the other hand, most marginal mining concerns which have to struggle hard for their consolidation, will derive little, if any, benefit from such an allowance" (Vol II page 96).

Present System

The position in India today is that in place of the percentage method and discovery value method of depletion allowance, that is, the incentive provider types of allowance prevailing in countries like U S A, there has been existing for some years the initial depreciation allowance and development rebates on the U K pattern in respect of all minerals; and deduction in respect of wasting capital asset is provided in certain circumstances in respect of depletion of mineral oil only to a person "carrying on the business of prospecting for, extracting or producing mineral oils in association with the Central Government". Also, "where the acquisition and realisation of mining rights" is "in the course of a company's trade, the cost of acquiring mining rights" is allowed as a trading expense.[17]

The claim for depletion allowance by the coal industry thus boils down to the request for amortisation of the cost of acquiring coal-bearing property. The problem does not exist for properties held on the payment of a periodical rent by the operator of the mine. Where, however, the operator has proprietory rights of some degree acquired at a cost, the urgency of the depletion allowance depends on the magnitude of the cost relative to the extracted plus unextracted quantity of coal. The older proprietors having acquired their collieries from inexperienced zamindars in the Bengal and Bihar coalfields at prices very much low relative to the quantity of coal embedded did not feel the burden of acquisition.[18] Even

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as late as 1939 and 1943 consideration money charged by the Panchkote Raj for leases of coal bearing areas for 999/99 years was between Rs 20 and Rs 24 per bigha and by the Burdwan Raj, between Rs 4 and Rs 10 per bigha.[19] Recent proprietors or older proprietors attempting enlargement of the size of collieries through fresh purchases with a view to mechanising operations put forward the loudest claim for depletion allowance owing to the high prices at which coal-bearing properties have been changing hands recently. The following table gives consolidated figures of the sale of coal bearing areas in West Bengal between 1951-61.

Year	*Consideration Money (Rs '000)*	*Area (Bighas)*
1951	140	5641
1954	60.5	2203
1955	200	815
1956	100	2100
1959	475	1820
1960	415	4157
1961	847	6005

The second column gives only the recorded consideration money. The tendency for collieries to change hands is also indicated by the transfer of 158 collieries in West Bengal alone since 1946 through sale, change of managing contract or opening of new areas.[20] It may be mentioned that W Bengal has about 350 collieries.

Rapid industrial development of India within the accepted pattern of ever growing public and private sectors justifies the adoption of all reasonable measures to encourage the latter. Increasing costs of coal-bearing properties and the urgency of encouraging mechanisation of mines suggest the granting of depletion allowance on the cost basis for all acquisitions of coalbearing lands after a fixed date on the U K pattern recommended by the 1955 Royal Commission. Implementation would of course depend on a satisfactory solution of the problem of eliminating intermediaries.[21]

Notes

[1] "Report of the Royal Commission on Taxation of Profits and Income" (1955, U K) para 317.

cf "Report of the Royal Commission on the Coal Industry" (1925, U K).

"A factory, a farm, a railway, a dock, may exist indefinitely. Particular parts may be changed; buildings may be altered; equipment renewed; but the enterprise itself may continue in the same place as long as there is a need for its product or service. A mine is different. It is sunk, it is developed, it is worked out and it is closed. This obsolescence and closing of mines is a normal feature of the industry, and indeed essential to its nature." (page 46).

[3] The claim for depletion allowance was lately put forward by the Chairman of the Indian Mining Association at its annual general meeting held in Calcutta on March 7, 1964 when he said that "Together with the higher development rebate given earlier the Government has indeed come a long way to meeting the industry's viewpoint, but I am *disappointed that the need for a depletion allowance is still to receive recognition.*" The claim is however not of recent origin. It was placed before the Taxation Enquiry Commission as far back as 1953-54 by the spokesmen of the mining industry. That the demand existed as early as 1943 is evident from the following observation of Lord Wright in the case Kamakshya Narain Singh Vs C I T (1943). "There is under the Indian Act no provision for allowance for amortisation in respect of the minerals being exhausted", though the Act does allow for diminution in the value of buildings, machinery, plant, furniture and animals. [Kanga and Palkhivala: "Income Tax" Vol I (5th Edition) page 330].

[4] This provides against capital consumption and correctly distinguishes between income and cost categories. *cf* "All capital outlay on wasting assets consists merely of payment made in advance on revenue account, all of which are constantly expiring in the service of the revenue account, and therefore, the value of the capital investment cannot be upheld except by regular and adequate contributions, which must be retained out of revenue receipts by being charged to revenue account" [Leake, P D "Depreciation and Wasting Assets" (1917) Page 13].

[5] *Ibid*, page 117.

[6] *Ibid*, page 119-120.

[7] As also in India.

[8] *Ibid*, page 120.

[9] In fact, the mark-up device is used by the U S S R to provide for depletion reserves. "Capital formation by state enterprises, which constitute the bulk of Soviet investment, is financed primarily by interest free grants from the budget. The cost of capital is therefore not included in the explicit cost price structure of state enterprises, but is reflected implicitly in the mark-up over cost. The same is true of depletion cost". (Holzman, F D, "Soviet Taxation" 1955, Harvard. Page 88) It may be noted that typical commercial costs of a Soviet enterprise include wages, raw materials and intermediate products, depreciation and short term interest but not returns for exceptional entrepreneurial ability, costs of capital, depletion costs and rent "all of which are explicit cost categories in capitalist enterprises". *(Ibid* page 87).

[10] Grant, E I and Norton P T "Depreciation" (1949) page 240.

[11] *cf* "Depreciation and Replacement Policy" Ed by Meij, J L (1961) pages 162-166.

[12] *cf* Creamer, Dobrovolosky and Borenstein: "Capital in Manufacturing and Mining" (NBER 1960) page 132.

[13] Gonsalves, T and Banerjee, B: "Mineral and Mining Laws of India", Government of India (1955) page 51.

[14] Nicholas Kaldor: "Indian Tax Reform" (1956) page 65.

[15] "Rates of royalty in respect of mining leases for coal have been specified under the Mines and Minerals (Regulation and Development) Act 1957. From the second schedule to the Act, it will be noted that the rate of royalty for coal and coke is shown as 5 p c of the f o r statutory price subject to a minimum of 50 nPs per ton. This rule is applicable to all mining leases granted after the 25th October 1949. The rates of royalty in respect of pre-1949 leases varied considerably but on and from the 29th December 1961, lessees who obtained mining leases prior to 25th October, 1949, are required to pay royalty at the rate specified in the deed lease or at 2½% of the f o r price, whichever is higher. In the case of outlying coal fields,

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the rates of royalty have been traditionally higher and there are cases where lessees have and continue to pay royalty at rates ranging from 10 to 25% of the statutory f o r price of coal". (Replies to the Questionnaire issued by the Central Wage Board for the Coal Mining Industry submitted by the Joint Working Committee of the four mining associations July 1963, page 21).

Also *cf* Kanga and Palkhivala: "Income Tax" Vol I. "Mining royalities or rent, taxable as income, may be (i) a lump sum or (ii) a fixed annual sum, or (iii) a royalty on the amount of minerals extracted, called tonnage royalty, or (iv) such a royalty but not less in the aggregate than a fixed amount each year, called minimum royalty. The minimum royalty is a species of annual guarantee; it does not correspond to any coal in fact extracted and taken away; it is simply income flowing from the covenants in the lease, contingent on the lessee's failure to take the minimum quantity of coal. It would be payable if in any year the lessee took no coal at all, or if the coal in the mine was completely exhausted before the termination of the lease. A lump sum received on assignment of a contractual right to realise rents or royalties from coal fields for a certain number of years" has been held by some courts "to be mere advance payment of royalty and assessable as income" (page 151). As for *salami* "it is for the income tax authorities to show that there do exist facts which would make the *salami* income." Where the lease is in perpetuity or for a very long term such as 999 years or of an indefinite duration on terms which imply an element of stability and permanency the *salami* has been regarded by the courts "as a capital payment for the transfer of a capital asset. The presumption would be that it is the pur chase price, not based upon the estimated out-turn but paid in exchange for the long term transfer. The distinction seems one of degree rather than of kind, recurring payment at short periods being treated as income and a single payment of a similar kind covering a long period being treated as capital, but after all the income tax Acts are not cast upon absolutely logical lines". (Page 150).

[16] *Ibid* vol II, 5th Edn.

[17] *Ibid*, vol I Page 330.

[18] "The Zamindars who since the permanent settlement of 1793 held all rights over the coal-bearing lands had little idea of the value of minerals underground. Entrepreneurs succeeded in getting, for the payment of *a small salami and a recurring* royalty, *permanent* leases of *large tracts* of land from the Rajas of Jharia, Panchkote, Burdwan and other estates. When the values of the properties became known the salamies increased, the lease periods became shorter and leased areas smaller. Lessees of the properties started parcelling out their rights to sub-lessees. There were further under-leases by sub-lessees and the process went on, there being no regard to the shape or minimum dimensions of properties. During the first boom years of 1907 and 1908 and the War years 1914 to 1918 and 1939 to 1945 there was demand for more and more coal and small capitalists must have entered the trade, acquired small properties on the fringes where seams of inferior quality outcropped which could be worked without much capital and at low cost and the number of small collieries grew" (Report of the Committee on Amalgamation of Collieries, 1956, Part I Page 13). The interested reader may refer to "Amalgamation of Small Collieries" by A B Ghosh in *The Economic Weekly*, May 7, 1960.

Also *cf* Report of the Indian Coalfields' Committee, 1946, Chapters 12 and 14 for a detailed treatment of history and problems of mining leases in permanently settled and other areas before zamindari abolition measures after independence, e g, the question of salami, sub-infeudation of coal bearing lands, ownership of mineral rights, royalty rates etc.

[19] Report of the Indian Coalfields' Committee (1946) Appendix XIV.

[20] It will be an interesting exercise to reconcile these tendencies and the unending dissatisfaction of the coal industry with the continuously revised controlled prices of coal.

[21] In the permanently settled areas the zamindar was the accepted owner of the underground rights before the new legislation vested them with the government which made it the owner of underground wealth subject to leases given by the zamindar. The position upto 1960 has been briefly given in "Amalgamation of Small Collieries" by A B Ghosh. The rights of intermediaries to collect rents and royalties from the lessees and sub-lessees, however, still remains unsettled owing to the cases pending in the law courts. (Indian Mining Federation, Report of the Committee for 1962 Page 182).

Road Transport in Fourth Plan

THE Transport Development Council has endorsed the recommendations of the working group set up by the Ministry of Transport at the instance of Planning Commission that the allocation for road development in the Fourth Five-Year Plan should be about Rs 1,150 crores. The Council has also indicated the lines on which State plans for the next five-year Plan should be formulated.

The Council stressed the need to have an integrated road plan, both for the Centre and State Governments, to meet the requirements of various sectors of the National economy. It has recommended that a phased programme based on certain priorities should be drawn up. It was decided that there should be an economic justification for the scheme to be undertaken and large projects should be backed by cost-benefit studies. In view of the increasing number of heavy vehicles, the Council recommended the adoption of higher specifications for roads.

A road plan should be framed, keeping in view the requirements of the region as a whole, special attention being given to less developed areas, such as Nagaland, Manipur and Assam, which were also border areas.

The Council recommended priorities for various categories of road and emphasised that the National Highway system should be adequately expanded to meet the requirements of a developing economy.

In regard to roads of inter-State importance, the Council has recommended that the Centre should help financially in the construction of bridges near boundaries of the States, while the State Governments should build the required connecting road links to these bridges.



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Generalists vs Specialists in Indian Administration

A Comment

Deepak Lal

Much of the generalist-specialist controversy is spurious. The modern administrator needs both generalist and specialist qualifications.

For the policy-implementing part of his job, the administrator has to be a coordinator, which is a generalist function. At the policy-implementing stage, he needs to be a generalist in the sense of feeding extra-disciplinary value-judgments, culled from his wide administrative experience, into the decision-making process. But, at the same time, for policy-formulation he had to master specialised techniques or languages of discourse, in order to make taking of informed decisions possible.

Such specialised knowledge is, unfortunately, lacking in Indian administration and attempts to impart it to fresh recruits have been unsuccessful because of a misunderstanding of the nature of specialised knowledge required.

Unless our administrators are given rigorous training in certain social sciences, they will not be able to fulfil effectively one of their most important functions the taking of informed decisions. It is time, therefore, to bid farewell to the I C S and usher in the age of the 'specialist-generalist' administrator or, more simply, of the technocrat.

ASHOKE Mohan Roy's two long articles[1] are more in the nature of a restatement and survey of old positions and battlegrounds in the generalist-specialist controversy, and do not add anything new to the debate. This comment seeks to redress this by focussing attention on some crucial distinctions, and clarifying some vague terms whose continual use has obscured the really important points in the debate. Finally an attempt will be made to outline a possible solution for this rather unnecessary cleavage.

The first important distinction to be noted is that between policy *formulation* and policy *implementation*. As most often the same governmental organisation is involved in both these aspects of government, there is a natural tendency to slur over this distinction. This is best exemplified by the indiscriminate use of that emotive word 'co-ordination'. The generalist administrator's chief virtue is that he is the co-ordinator *par excellence*. Once, however, it is remembered that co-ordination is an administrative function of the operational or implementational kind it becomes clear that it is connected with the policy implementing rather than the policy formulating role of the administrator.

Let us examine this term co-ordination a little more closely, for its loose use has been responsible for a great deal of confusion in the generalist-specialist debate.

To talk of an administrator exercising the co-ordinative function in the decision making process sounds, to say the least, a bit odd. For 'co-ordination' normally implies the co-ordination of activities, seldom if ever, of ideas or theories. One can 'synthesise' of 'reconcile' the latter, but one can hardly talk of co-ordinating these ideas or theories. Thus common language makes a distinction between the co-ordination of decisions and the synthesising of ideas and theories which go to make these decisions.

Co-ordination is, therefore, a function which is concerned with the part of government which is concerned with the performance of various activities, i e, implementation of policy. It is, moreover, related to activities which are complementary or interdependent, and cannot be applied to areas which are completely unconnected with each other. This function moreover does not require any specialist expertise but is the most important part of the generalist art of managing people. Therefore a very important conclusion of our discussion at this stage is that in the policy implementing stage there is the need for the exercise of a very important function, that of co ordination, which is pre-eminently a generalist function.

What Is Coordination?

If someone, however, does speak of 'co-ordination' at the policy formulating stage, what could he mean? What he means is, clearly, the reconciliation of divergent view points at the policy formulating stage, and this is not co ordination, but the *reconciliation of divergent viewpoints*. It is important to put the above point in this tautologous form, for it is sought to be emphasised that there is no need to twist the ordinary meaning of words to assimilate statements which can be stated quite adequately in terms of ordinary language in their own right. There is, moreover, a grave danger in trying to dilute the fairly clear cut meaning of words to make them fit different descriptions. For, by using the same word to describe two distinct kinds of functions one is tempted to assimilate one in the other. This, in fact, is what seems to have happened in much of the writing on the generalist-specialist debate. Take Roy's statements, for instance. Here is an extract:

> "It is argued that a general administrator is more appreciative of social necessity. *He specialises in co-ordination.* One important judgment which he has to make is whether the proposed programme is such as can be easily put into action for the benefit of society."[2] (italics added).

Here we have three statements. From the first and the last it is clear that what is being discussed is the role of the generalist administrator in the formulation of policies, and yet sandwiched between the two is the statement in italics about co ordination, which we have identified as a policy implementing function. Clearly Roy doesn't appreciate the policy-formulating, policy-implementing distinction and the role of co-ordination in the latter. By this illegitimate slurring over of these crucial points persuasive content is given to the argument for having generalists in the policy formulating stage by quietly slipping in the term co-ordination which every one recognises to be an exclusively generalist virtue.

Apart from the above methodological points the question 'What are the specifically generalist functions in the decision-making process?' still re-

mains. The first and last sentences in the passage quoted above illustrate the point that the distinctive role of the non-specialist in the decision-making process is in introducing what I will call 'extra-disciplinary' value-judgments. Whereas the mere specialist is likely to be myopic as regards value-judgments which do not directly impinge on his discipline, or his value judgments may not take cognisance fully of 'social reality' or 'necessity',[3] the generalist, it is assumed, will not suffer from any of these disabilities, and his value judgments are likely to conform more to the needs of the 'general welfare' of the citizens. For, the non-specialist administrator has 'the advantage of bringing to the counsels of policy-making diverse field experience continually refreshed and renewed'.[4] This enables him to work with value-judgments which are tied more closely to 'social necessity' than the specialist's. In fact it can be maintained that the administrator's generalist role in the policy formulating process is largely, if not only, that of applying the necessary normative constraints on the specialist's recommendations.[5] This is all that oft-repeated phrases "looking at matters from the point of view of the Government as a whole", "a wider outlook and a commonsense approach", "not detailed knowledge, but the right approach, the right perspective with which the man analyses the problem"[6] can really be reduced if they are to have any meaning at all.

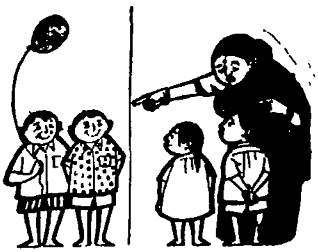
Value Judgments

Granted that the role of the generalist in the decision-making process is that of introducing extra-disciplinary value constraints, two questions arise. The first one is: "Isn't the introduction of value judgments the exclusive role, and right, of the political executive?" The answer to this is, not entirely. Apart from the normative question of whether it *ought* not to be, there is the contingent fact that the value constraints are given as a result of joint debate amongst the policy makers, i e, the political and permanent executive. But even within the value sphere there are value judgments of differing kinds and of differing degrees of importance. Hence the second question: "The supplying of what form of value judgment, if any, is the exclusive prerogative of the bureaucracy?" To find an answer to this question we may approach it by asking: In the case of conflicting value-judgments is there any particular sort of judgment which the political executive would find very difficult to override? Clearly, in the case of most value judgments given the constitutional superiority of the political executive, any conflict, if it arises between, say, a Minister and his Secretary will be resolved by the overriding authority of the political boss. There is, however, one class of subjective evaluations where the political boss may find it difficult, if not impossible, to override the judgment of the bureaucrat. This is in the sphere of judgments regarding the feasibility of a particular policy or programme. This is a judgment of administrative feasibility, not technical feasibility (which is the specialist's area), and it is here that the wide administrative experience of the generalist administrator in implementing particular and diverse policies is likely to be so important. It is important to note that it is his experience as a *policy implementor* which enables him to introduce this specifically generalist value judgment into the *policy making* process. Furthermore it is the relative permanency of the bureaucracy vis-a-vis the political executive, and the consequent existence of a 'departmental memory', which gives the bureaucracy its overriding influence in judgments of feasibility which are a very important part of any decision making process.[7]

We thus find that we can delineate two broad generalist functions of the administrator. Firstly the co-ordinative function, which is part of the policy-implementing aspect of his job. Secondly, the function of introducing normative extra disciplinary constraints chiefly in the form of judgments of feasibility, which is part of the policy-formulating aspect of his job.[8]

What, then, of specialist functions within government? Clearly in the actual implementation of many program-

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mes exclusively specialist skills are called for e g in building a dam. These may be called the 'engineering' aspects of implementation, and would clearly be a specialist monopoly, just as the other important aspect of implementation, co-ordination, it has been argued, is a generalist preserve.

This takes us to the sphere of decision making. With the increasing role of government in the socio-economic life of the community, the problems faced by government have become more complex, more technical and more far reaching in their impact. At the same time planning necessitates positive decisions which involve choosing and allocating between different ends and resources. Very often the latter task involves the evolution, understanding and application of fairly technical criteria. Furthermore planning is always being done within the constraint of the time factor. Quick technical decisions are called for.

These considerations bring us to the heart of the shortcomings of the pure generalist in the contemporary decision making process—the problem of being adequately informed. The decisions which the administrator has to make, or help to make, must be informed, and if a precondition of the success of the necessary information being understood is some technical knowledge, clearly, specialist knowledge will be required by the administrator. This specialised knowledge can be looked upon more as familiarity with a particular language of discourse, or the ability to maintain a discussion in a particular idiom. This language or idiom must necessarily be that of the specialist, firstly, because of the time constraint noted earlier — constant translation into a language the administrator understands would be inefficient - and secondly, because the conclusions of the specialist will flow from the particular and peculiar logic of his own specialised language. So that in order to carry on a meaningful discourse with him, which would be purposeful in the sense of either finding fault with the logic of his argument, or the illegitimacy of his conclusions and/or assumptions (implicit and explicit), or of trying to grope towards an alternative formulation, the administrator will require knowledge of, and training in, the specialist's idiom. Translation would be inadequate as the conceptual framework of the particular discipline, which alone gives meaning to disparate elements of fact and judgment, is likely to become hazy and loose in the process of translation, with all the concomitant dangers regarding the 'correctness' of the administrator's decisions. And considering the far reaching implications of even the most minor decision taken by government—in terms of people affected—even small mistakes would be socially costly, and hence have to be avoided.

Clearly therefore mere generalist capacities of 'having one's heart in the right place', i e, feeding in the socially desirable value judgments, will not be sufficient and are certainly inefficient in performing the tasks of government in a welfare state. Lacking specialised knowledge- in the sense we have outlined—the administrator will become either redundant —just accepting the recommendations of the specialist departments, or else he will take a decision which, being uniformed, may be completely arbitrary and unjustified. This is especially so in the case of economic decisions. These can involve highly technical concepts and theory, whose complexity increases with the growth and sophistication of the economy. "Dr Beeching's example shows what happens when a distinguished metallurgist begins to dabble in welfare economics without prior training".[9]

Training the Administrator

This raises the question of the content of the specialised, 'prior-training' for the 'would-be' administrator. Here again there are a number of confusions all connected with the term 'specialisation'. One general misconception is that specialisation is connected in some very close manner with the degree of rigour of a discipline. On this view a more specialised knowledge of a subject is merely a more rigorous knowledge, and hence what the administrator needs is a less rigorous treatment of a subject. This is the assumption behind the current training scheme for Indian administrators. That this assumption is false can be demonstrated in the following manner. Take two students of a particular discipline, of equal brilliance and competence in their subject. At the end of their degree course one of them decides to specialise in the subject, whilst the other decides to enter the bureaucracy. Clearly, before the choice of their respective careers both students had the same degree of rigorous mastery over their subject—given our homogenity assumption. What then does the decision of one of these students to specialise imply? I would suggest that it implies two things. Firstly, it implies a decision to devote one's working time to that particular discipline, and this has got nothing to do with increasing rigour (assuming that both the students already have a rigorous mastery over the subject) and, secondly, it implies an undertaking to be at the frontier of advance of his particular area of study, in the sense of both assimilating and adding to advances. Specialisation can, therefore, be looked upon as a commitment to continue practising and using the skills and tools of a particular discipline. Specialised knowledge, on the other hand, would imply knowledge of, and proficiency in the skills and tools of a particular discipline, without any commitment towards using these tools and skills to make further advances in that area of study. From this it seems reasonable to conclude that when specialisation is talked about, what is normally meant is not the intensifying rigour of the discipline, but greater devotion of time and energy to a particular discipline. In mastering a particular subject with/without the intention of specialising in it, the rigour of the discipline is indivisible, and the absence of rigour merely marks off the bad student from the good one.

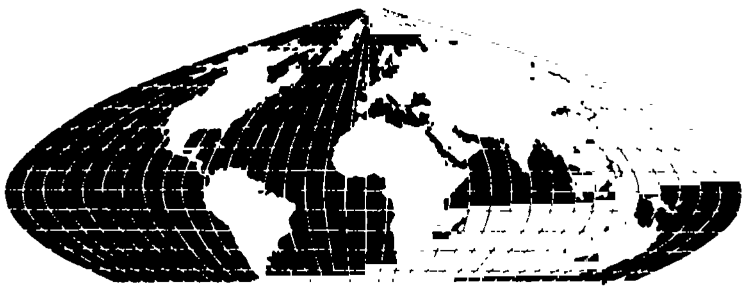
Thus it is most important to remember that in imparting specialist knowledge to administrators, for the reasons we have outlined, it is imperative that the fallacy of considering the providng of specialised knowledge for the administrator as merely diluting the discipline, be avoided. To attain specialised knowledge, the particular discipline must be mastered, irrespective of whether or not one is going to specialise in it later on. In this context a study of the French system of training administrators may prove very useful. The French give their administrators a thorough grounding in specialised disciplines in the social sciences, and they perhaps approximate closest to the ideal administrator in a modern welfare state whose features will be delineated in the last paragraph of this article. The contemporary French bureaucrat is both a specialist and a generalist, and his superiority over the traditional dilettantish English bureaucrat is proved by the Brussels negotiations where 'in the negotiations with the French technocrats, the sole British representative to stand up to the challenge was a war time recruit from a University'.[10]

We are thus led to our general conclusion that much of the generalist-specialist cleavage is spurious, and certainly as traditionally presented, confusing. The modern administrator needs *both* specialist and generalist qualifications. There is the need for, to coin a phrase, 'specialist-generalists'. As Appelby points out[11] generalist and specialist are relative terms. There should not be any question of an 'either-or'

type answer. In fact from our analysis we have discovered that the modern administrator needs both these qualifications for his efficient functioning. In the policy implementing aspect of his job he needs to be a co-ordinator, which is a very important generalist function. At the policy formulating stage, he needs to be a generalist in the sense of feeding in extra-disciplinary value-judgments, culled from his wide administrative experience, into the decision making process. The most important of these judgments is with regard to feasibility. But at the same time, in policy formulation, he requires mastery over certain specialised techniques, or languages of discourse, in order to facilitate the taking of informed decisions. This specialised knowledge is unfortunately lacking in most of our administrators, whilst attempts to impart this to fresh recruits are misplaced because of a misunderstanding of the nature of specialised knowledge required- -a misunderstanding we have traced to the 'specialisation' fallacy. Until our administrators are given a rigorous training in certain social sciences they will not be able to fulfil one of their most important functions within the decision making process-- the taking of informed decisions. We must therefore bid farewell to the I C S and usher in the age of the 'specialist-generalist' administrator, or more simply of the technocrat.

Notes

1. *The Economic Weekly*, June 27 and July 4, 1964.
2. Roy, *op cit*, p 1097.
3. Both the terms social reality and social necessity are by no means clear cut in their meaning, but we will for the purposes of this article abstract from the difficulties inherent in clarifying them.
4. Roy, *op cit* p 1097.
5. I shall be using the term normative in a wider sense than it is normally used. I shall use it to mean any subjective evaluation.
6. Roy, *op cit* p 1097, and N V Gadgil, quoted in Roy, p 1063.
7. It may also be noted that in the decision making process the bureaucrat is generally presenting a departmental view point in cases where the decision involves a number of departments, and as such phrase like 'point of view of the Government as a whole' are certainly false if not meaningless. To give them any sort of operational significance some analysis of the sort outlined above seems necessary.
8. Another very important distinction between inter-departmental and intra-departmental policy formulation has to be borne in mind. This has been slurred over in this article for reasons of space and emphasis. Using this distinction one needs to emphasise the role of the bureaucrat in reconciling divergent interests *within* his department at the policy formulation stage. Inter-departmental reconciliation is the task mainly of the political executive. But it must be emphasised that the reconciliation of divergent view points will be made impossible if the reconciliator lacks specialised knowledge which maybe a precondition of these view points being understood. See the later sections of this article.
9. Thomas Balogh: "Planning for Progress" (Fabian pamphlet, 1963) footnote 2, p 31. Also see his 'The Apotheosis of the Dilettante' in "The Establishment" (ed) Hugh Thomas.
10. Balogh, *op cit*, p 31.
11. Appelby: 'Generalist and Specialist' in "Public Administration for a Welfare State" (Asia Pub House.)



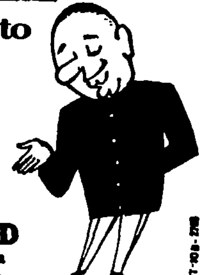
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Tensions in Panchayati Raj

A Comment

Anil Bhatt

To appreciate the tensions in Panchayati Raj it is necessary to understand the evolving pattern of politics-administration relationship which is changing from one of mutual antagonism to one of politicisation and subordination of the administration.

The politicisation pattern has two trends: on the one hand there is what is popularly known as political interference and exploitation of administration for political purposes; on the other hand, administrators themselves become political. They take their positions with or against particular parties or factions.

With Panchayati Raj, rural society has for the first time been exposed to modern democratic political processes. The interaction between the traditional social order and modern political and administrative systems is bound to release new forces and create strains and tensions in the initial stages.

THOUGH the state of affairs described by T N Chaturvedi in his paper, "Tensions in Panchayati Raj: Relations between Officials and Non-officials" (*The Economic Weekly*, May 30, 1964) is true, his interpretation remains at a superficial level. One often comes across the examples cited by him but he has failed to read them correctly.

Chaturvedi starts by making a general observation that popular participation has been only partially achieved (p 921). Here he repeats what so many writers have been saying on development programmes, without substantiating it by findings of his survey. He then argues that the tensions between officials and non-officials are created by factionalism, vague demarcation of powers and the poor quality of Panchayati Raj officials.

These causes do not touch the heart of the problem. So long as party lines are not clear at local levels or if there is one-party dominance factions based on personal loyalties or created by personal rivalries will be found. Under one-party dominance, or in absence of party politics, the basis of political organisation will naturally be factional.[1] In fact, faction as an operational category in Indian Politics is to be found at all levels. Even if parties or individuals acting independently replace the faction system, there is no guarantee that politicians would not exploit the administration for partisan or personal purposes.

Vagueness in demarcation of powers though it accentuates tension is not its fundamental cause. The line between politics and administration in India is very thin. It almost disappears at the local levels. In the circumstances, however clearly the two spheres are separated on the paper, in practice they are bound to overlap. In Maharashtra, where such demarcation has been done as neatly as is logically possible, tensions still exist. It is the non-officials who in actual practice control the powers of transfer and appointments even though on paper these powers are given to officials. The author himself substantiates this point when he states that the Pradhans of Samitis virtually appoint teachers even though rules of procedure provide that the selection should be done by the selection board of the District Establishment Committee (p 922).

Changing Pattern

As for Chaturvedi's comments on the poor standard of Panchayati Raj officials, the fact is that the chances of tension increase if the officials are strong, efficient and honest. For instance, in one of the districts of Maharashtra where the Chief Executive Officer of the Zilla Parishad was a very strong man who would not allow any illegal or undesirable administrative practice, such as misuse of conveyance by the President of Zilla Parishad, tensions rose to such a pitch that the functioning of the Zilla Parishad became impossible. In another district the non-officials found the strong C E O such a nuisance that they passed a resolution saying that they did not need any C E O and that they would run the administration by themselves. On the other hand, in the districts where the relationship between the President and the C E O was good, C E Os were found to be meek and submissive. Chaturvedi himself has said that "community of interests between the two may make them act in unison though not for the advancement of the objectives of Panchayati Raj" (p 921).

Chaturvedi has failed to grasp the changing pattern of relationship between politics and administration after independence. Before independence the relationship between politicians and administrators was one of antagonism. The officials at the district level and below had to deal high handedly with the agitating politicians. There were many occasions on which they came face to face against each other. The then politicians used to look upon them as the unpatriotic stooges of the foreign power. This feeling was highlighted by those administrators who resigned their jobs for the cause of the nation, as those who continued were invariably contrasted with them. Again, before independence the administration being by and large a law and order and revenue collection agency it was not so closely associated with political leadership.

After independence the association of politicians with the administration as people's representatives, grew. The introduction of Panchayati Raj brought about a great merger of politics and bureaucracy. The politician became the real boss. The Zilla Parishad President or Panchayat Samiti Pradhan, looking after day to day administration, signing papers and passing orders, has become what may be termed an "elected official".

The feeling of antagonism between the two, formed during pre-independence days still continues to some extent. Whenever there arises a difficulty the politicians openly and vocally try to pass on the blame to the red tapism and inefficiency of the bureaucrats. The bureaucrats, as they cannot be vocal, feel frustrated and think that the root cause of the trouble is political interference. The psychological tension between the two persists. As a result, many of the administrators get frustrated and want to get away from Panchayati Raj institutions to departments where they can function in isolation. The few who like to remain in these institutions have their own axe to grind and like to play the game with the politicians.

The pattern of politics-administration relationship is changing from isolation

and antagonism to politicisation and subordination of administration. The politicisation pattern has two trends, on the one hand there is what is popularly known as political interference and exploitation of administration for political purposes. On the other hand, administrators themselves become political. They take their position with the ruling party or the ruling faction. In certain cases, they may also side with the opposition party or the dissident faction. They create difficulties for the group with which they do not side. They help politicians in winning the elections or sabotage their elections.

What Is Old Leadership?

Further, Chaturvedi's concept of leadership in Panchayati Raj is also ambiguous. He does not tell us what exactly he means by old leadership. He considers traditional leaders like biswedars, jagirdars, mahajans and practising lawyers as old leaders (p 921). He even includes lawyers among the traditional leaders. The findings of a study of a few districts of Maharashtra and Gujarat reveal that the pre-independence political leaders of the national movement and also those of the immediate post-independence period were urbanised and came from the high castes and advanced sections of society[2]. During the national movement the biswedars, jagirdars or the caste-leaders more often than not remained either aloof or sided with the rulers. The capture of power by the traditional elite is comparatively recent: much after the introduction of adult franchise, and in particular with the coming of democratic decentralisation. It is natural that with the introduction of adult franchise, leaders who have their links with rural society are able to mobilise political support. Here again the process is two-way. Not only have the traditional leaders become political leaders but political leaders by virtue of their being in seats of power have become the leaders of traditional institutions such as caste associations or religious organisations.

Chaturvedi, like certain other authors, is very harsh in his criticism of local leaders[3]. He writes, "They are old biswedars, jagirdars, village mahajans or practising lawyers, who have been elected to the positions of authority due to caste loyalties or factional affiliations. Very few of them represent the down-trodden masses, and they too have learned the methods of their colleagues. The emergence of new leadership fired with ideal of revolutionary change is only faintly visible, and the old leadership predominates in the new democratic garb. It is difficult to expect that this leadership will lead the way to a good life" (p 921).

This criticism does not take into consideration the prevailing social and political conditions in which the local leaders have to operate. The local leaders have to work in more traditional atmosphere than their national counterparts. They have to constantly worry about how to satisfy their followers and voters. Their performance is measured in terms of how much of what Robert Dahl calls, 'divisible benefits'— such as licences and permits, loans and scholarships, school buildings and wells



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--they are able to get for their people. Though it is true that such divisible benefits have enormously increased after the introduction of development programmes, they have to be distributed in a society suffering from chronic poverty and accute scarcity of resources. The local leader who is very near to masses has to constantly fight with his colleagues and bosses above to get these benefits for his people. He has not only to make secure his position against the rivals from opposite factions or parties but to win elections for his party. The local leader's exploitation of the administration, therefore, reflects his constant struggle for survival.

Resurgence of Tradition

The whole problem of local leadership is very ably viewed by Ramashray Roy in his comment on Bhalerao's article[4]. To quote him,

> "There is no gainsaying the fact that their political idioms, methods of operation, their style, all reflect the new political elite's moorings in the traditional soil of the structure of power, status system etc. They symbolise the resurgence of the traditional society, its readiness to adopt and its will to influence course of politics to make it serve its ends as perceived by it in a changing situation. However compartmentalised, parochial and chauvinistic these new elites are, their close relationship with the society gives them strength and endows it with political agility and effectiveness. It also gives them a knowledge of political facts and a sense of what is possible. They are pragmatic and therefore they do not make impossible or difficult demands on the society.
>
> "We may look at their style with Western blinkers and disapprove of it but the fact is that they in their own way are transforming the Indian Society and are leading it towards modernisation and democratisation. They are integrative forces in the Indian society, although their political role seems at the moment to be disruptive of national unity, modernisation and democratisation."

As to the *modus operandi* of the local leaders the author says that they appeal to caste loyalties for getting elected to the seat of authority. This is not something new. Before the introduction of Panchayati Raj and even before independence appeals were made to caste loyalties. There were instances where caste loyalties were exploited and even threats of being expelled from the caste were used to mobilise support for the national movement. Any politician in order to survive in politics needs organised support. The caste is a strong, well organised and effective institution for mobilising political support. The politician naturally turns to it. This very process of the politicisation may in the long run secularise caste[5].

One should also recognise the fact that the local leader has to operate in a traditional social structure while the higher level leaders may talk of high-sounding ideals. While functioning with the rural masses the local leaders find that they have to talk in an entirely different idiom. As W H Morris Jones puts it, "The constitution and the national leaders proclaim the goal of a casteless society and hardly a day passes without the vigorous condemnation by Nehru or one of his colleagues of the divisive forces of casteism, linguism and the like. But these are the only terms in which the newly enfranchised masses know how to operate. And so, in the middle and lower reaches of the parties and the administration, realistic men learn that they must also talk that language if they are to be understood and if they are to be effective. What sounds good up in the Delhi Parliament or for the news paper reading public will cut no ice at the grass roots".

Chaturvedi then goes on to list suggestions to improve politics-administration relations in Panchayati Raj. He says that demarcation of powers should be clear cut, that in order to avoid favouritism all powers of making transfers and fresh appointments should vest with district level officers of the concerned departments and not with the Panchayat Samitis or the Zilla Parishad. Further, he wants to indoctrinate the non-officials with the philosophy of community development, patriotism and nationalism. "A deep sense of patriotism is the only remedy against localism, vested interests and traditionalism. The nation state is a great association and its demands are more overriding than those of community group. It requires indoctrination through the use of educational and psychological techniques on a large scale" (p 924).

It has been said earlier that clear demarcation of powers between officials and non-officials is not going to help by itself. His other suggestion that the powers of appointment and transfers should be transferred to district level officials so as to avoid favouritism and undue political interference cannot achieve much. Politicians have been interfering in the administration at all levels, including at the national level, and there is no reason to believe that district officials are honest men who would not succumb to favouritism. Lastly, it is difficult to see how a sense of patriotism can be injected into non-officials through training courses or educational techniques.

It thus seems that Chaturvedi has failed to appreciate the dimensions of the problem. He has taken things at their face value and not treated them in the wider perspective. He gets impatient when he finds that the "human revolution which it (Panchayati Raj) was expected to achieve has remained a far cry" (p 921). But one should not overlook the fact that Panchayati Raj has not completed even a decade. And it has been introduced in a social structure which is tradition-bound and which lacks the essential prerequisites of democracy such as literacy, secularism, political education and democratic experience. In fact, one of the essential tasks of Panchayati Raj is to equip the Indian society with these pre-requisites. The rural society for the first time has been exposed to this modernised democratic experience. The interaction between the traditional social order and modernised political and administrative structures is bound to let loose certain new forces and create strains and tensions in the initial stages.

The developing pattern, at present, is one of politicisation of the social and administrative structures. In the transitional phrase the politicisation process fails to produce results, creates tensions and saps the administration of drive and determination. A simplicist analysis, without proper understanding of the wider social and political processes, tends to be superfluous and is misleading.

Above all it should be remembered that in politics-administration relations the personal element is involved to a great extent. General suggestions, based on common formulas, do not help much. In the ultimate analysis it is one of those questions of democracy where much depends on the good sense of politicians and administrators.

Notes

[1] See Rajni Kothari: "Developing Political Pattern", *Seminar*, February 1962.

[2] See Rajni Kothari. "Modernisation in Open Polity," unpublished manuscript, centre for the Study of Developing Societies, 17-B, Indra Prastha Marg, New Delhi.

[3] See, for instance C N Bhalerao: "Developing Pattern of the Con-

gress Party", *The Economic Weekly* March 31, 1961.

[4] "The Developing Pattern of the Congress Party: A comment", *The Economic Weekly*, May 2, 1964.

[5] See: Rajni Kothari and Ghansyam Shah: "Caste-Orientation of Political Factions", *The Economic Weekly* July 1963; and Anil Bhatt: "Caste and Politics in Akola", *The Economic Weekly*, August 21, 1963.

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From the London End

Saving King Cotton

CLOSE on the heels of the recent United Nations Trade and Development Conference, where brave words were spoken about the need to open wider the markets of industrialised countries to the exports of manufactures and semi-manufactures from developing countries, comes a plea from the U K Cotton Board for further measures to restrict import of cotton textiles from India, Pakistan and Hong Kong and other cheap exporters.

The Cotton Board's memorandum "The Case for a Viable Cotton Industry" was put before Mr Heath, the Minister for Industry, when he met a deputation from the Board recently. This pamphlet is a further reminder that despite resolutions that may be passed at United Nations conferences, a much greater effort will have to be made to break the grasp of the vested interests in the textile industry if the promised freer access to the markets in the West is ever to be achieved.

The case put forward by the Cotton Board is that the U K cotton textile industry should enjoy conditions that are substantially the same as those enjoyed by cotton industries of other Western countries. Anyone who remembers the tough fight put up by the Common Market textile industry with regard to the import of cheap cotton textiles during Britain's negotiations with the Common Market, will realise what a regressive step this is.

The essence of the Cotton Board's proposal is to control the volume and pattern of imports from low-wage countries and institute a price level in the U K based, for the first time in many years, on Western instead of Eastern costs of production.

It will be recalled that the present arrangements of controlling imports of cotton textiles from countries like India, Pakistan and Hong Kong, which is based on a quota system, are due for renewal at the end of 1965. The Cotton Board believes that there should be no further short-term *ad hoc* expedients. "What the cotton industry has long needed, and now needs more urgently than ever before from the Government, is a long-term policy".

The Cotton Board suggests the imposition of a countervailing duty on imports from low-wage countries, calculated to bring their prices within a fixed percentage of fair domestic prices, the proceeds of which would be returned to the exporting country concerned for use in its own development plan. With such a countervailing duty, quantitative limits could gradually be withdrawn. The Lancashire textile industry has always claimed that cheap textiles from abroad have had a disruptive effect on home trade prices and orders— so the advantage of the present scheme would be to eliminate the most serious problem of cheap imports by raising their prices.

The industry is perfectly well aware that the imposition of the countervailing duty involves a withdrawal of Commonwealth Preference, but it claims that preferences given to the cotton textile industries of Commonwealth countries, developing and developed in equal measure, should be withdrawn as they are not appropriate to the 1960s and expose Lancashire to competition from duty-free imports from low-wage countries.

Integration and Amalgamation

If the radical reform of countervailing duties is not accepted, the present method of control must be made more effective. This could be done by reinforcing the existing bilateral agreements with a global quota for all developing countries not covered by a bilateral agreement. Another method would be to impose tariffs on goods from the Commonwealth Preference Area, amounting to five-sixths of the present most favoured-nation level accompanied by restrictions on volume and types of imports for a trial period of five to ten years. These proposals strike a rather sour note for those who had believed that the U N Trade Conference was going to usher in a brave new world in which tariffs and quotas would be progressively dismantled.

It is interesting to note that the Austrian textile industry is also bringing out its guns against cheap imports from abroad. Speaking at the textile congress recently held in Feldkirch the President of the Federation of Austrian Industries appealed to the Austrian Government for more stringent anti-dumping regulations to protect the domestic textile industry. He drew attention to the danger of the steadily rising low-cost textile imports from certain Asian and East European countries.

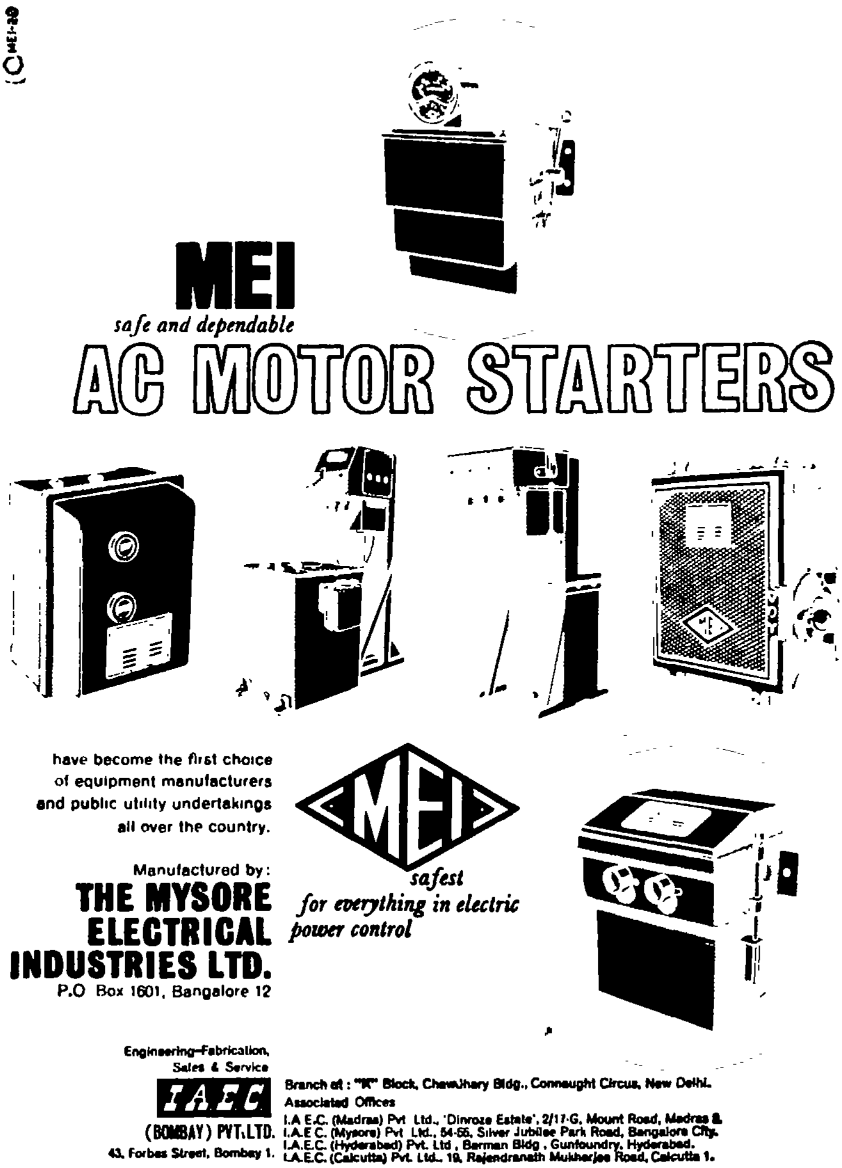
Nobody denies that something must be done about the cotton textile industry in the U K, but shutting out cheap imports is not, in the long run, going to save "King Cotton". The Cotton Board describes cotton as "virtually a new industry". It is now more compact and more efficient, but in order to go in for modernization in keeping with technological advances, it claims that it needs a five-year period of stability achieved by controlling low-wage imports. In the five years ended 1962, the industry's capital expenditure totalled over £100 million. The following comparative figures show the progress the industry has made in modernization.

	1958	1963
	(Per cent of total)	
Spindles working two or three shifts	5	38
Looms working two or three shifts	20	39
Percentage of automatic looms	19	37

Another striking feature in the textile industry has been the movement towards integration and amalgamation. This aspect has been highlighted by the recent bid of Courtaulds to take over two of the biggest and best known Lancashire spinning groups— Lancashire Cotton Corporation and Fine Spinners and Doublers. If the bid goes through, Courtaulds will control between a quarter and a third of the six million spindles in the industry. The Lancashire Cotton Corporation is already the world's largest cotton spinner with 39 mills. Fine Spinners own 35 companies in Britain, 6 mills in France and a 36,000 acre cotton plantation farm in Mississippi.

If it is able to take these companies over, Courtaulds will close the remaining gap in its vertical structure. In the last year, Courtaulds has taken over textile and clothing concerns in virtually every branch of textiles from the weaving stage onwards to distribution. These latest attempted mergers are part of a series which has transformed the face of the textile industry. They began two years ago after the abortive attempt by Imperial Chemical Industries to take over Courtaulds. This recent bid highlights the present trend towards vertical integration. The acquisition would make Courtaulds a vertical giant in textiles, dominating the industry from fibres, through spinning (and to some extent weaving) and on to its textile goods subsidiaries.

Moves to reshape the entire British textile industry to make it efficient and competitive against overseas producers have been going on for some time. A major regrouping of Lancashire textiles is needed the pressure upon the industry is becoming more insistent. Imports have continued to wrest trade from home producers in spite of importation "ceiling" agreements with India, Hong Kong and Pakistan and more recent defensive action by the Board of Trade against other imports. The trend is for strong new groupings in the industry and integration of production from raw material to point of sales. There is no doubt, however, that the Courtauld acquisition will create many problems for the cotton textile industry. Courtaulds would exercise control over a large proportion of the cotton industry's capacity and, naturally, it will be more interested in selling goods made of man-made fibres than goods made of cotton.



From the Chair

The Tata Iron and Steel Company Limited

Statement of the Chairman Mr J R D Tata

The following statement by Mr J R D Tata, Chairman of the Tata Iron and Steel Company Limited, dealing with the Company's working for the year ended March 31, 1964, has been issued to the shareholders. The Annual General Meeting of the Company will be held on Thursday, September 3, 1964 at 4.30 p m at the Birla Matushri Sabhagar, 19, Marine Lines, Bombay 1.

To the Members,

As this review comes to you only a mere two months after the death of Jawaharlal Nehru, it is fitting that it should begin with a tribute to his memory and an expression of our grief at his passing. In every age, a few men are born destined to shape the course of history and it was fortunate for our country that at one of the most critical turning points of its history, one of his heroic stature was there to lead it.

2. After Gandhiji led us to freedom, Jawaharlal undertook the prodigious task of changing the outlook, beliefs and way of life of hundreds of millions of people steeped in ignorance, poverty and despair; giving them faith in themselves and showing them that with education, hard work, modern ideas and methods and the application of science and industry, they could build a new and better life for themselves and their children. Many years must still pass before Jawaharlal Nehru's dream of a modern industrialised India comes true, but he lived to see the success of the greatest and boldest experiment in parliamentary democracy the world has ever known. If through all the emergencies and crises, which it had to face and surmount over these seventeen years, India has clung so tenaciously to the democratic way of life and remains today a nation of free people, we owe it mainly to him.

3. The Steel Works and the city of Jamshedpur held a special place in the thoughts of Jawaharlal Nehru for, long before other steel plants were built in the country, they were to him the symbol and the promise of a new India. In 1958, on the occasion of our Golden Jubilee, while dedicating the Jubilee Park, which the Company presented to the citizens of Jamshedpur, he said "I have come here because this great Steel Works and the city of Jamshedpur have become symbolic of the growth of Indian industry......but the biggest reason of all is to pay homage to the memory of Jamsetji Tata." It is appropriate to recall these words today since this year marks the 125th anniversary of the birth of Jamsetji Tata and the 60th anniversary of his death. Referring to Jamsetji's courage and vision, he said "It is right that we should honour his memory and remember him as one of the big founders of modern India." The great heart that paid this gracious tribute is now stilled, but, as his biographer has said "India will remember Jawaharlal as the man who saw the vision big and tried, with all his faith and will, to make it great."

4. As we mourn the passing of Jawaharlal, our thoughts, sympathy and good wishes turn to the dedicated man who has taken on the heavy burden of leading the country. The unanimous choice of Lal Bahadur Shastri as Prime Minister and the smooth transition to the new regime have given proof of the maturity and soundness of our parliamentary democracy. I am sure that shareholders will join me in assuring Prime Minister Shastri of the full support and co-operation of the Company in whatever way it may be called upon to help in the further development of India's steel industry.

The Year's Results

5. The Company made satisfactory progress during the year under review and reached the production target of 1.5 million tons of finished steel while the output of steel ingots fell short of the 2 million ton target by only 5%.

6. On the financial side, however, the results of the year's operations were somewhat disappointing. Although the profit before taxes was nearly Rs. 2 crores higher than in the previous year, much of the excess was due to the fortuitous addition to revenues of Rs. 85 lakhs written back from excess provisions made in previous years. Discounting this item, the profit was only marginally higher than in the previous year in spite of the substantial increase in sales and the ratio of profit before taxes to sales was 14.2% as against 15.4% in the previous year. The slight deterioration in profit per ton was due, as stated in the Directors' Report, to a rise in costs uncompensated by a corresponding increase in retention prices. Increases in prices were sanctioned by Government only from March 1964, although the increases in costs beyond the Company's control which such escalation in prices is intended to cover had taken place much earlier. The delay caused the Company the loss of a substantial amount of revenue and therefore of profit during the year. Furthermore, as stated in the Directors' Report, the price increases form March 1964 in categories of steel over which price control has been retained after partial decontrol, were substantially less than expected on the basis of an announcement made by the Minister of Steel in that month.

7. Shareholders will have noticed the six-fold increase in taxes this year. Whereas in the previous year the bulk of the profit was absorbed, for tax purposes, by arrears of development rebate, there was no similar set-off this year as all such arrears have been fully made up. The provision for taxes would, in fact, have been Rs. 2.70 crores larger but for the higher depreciation allowed under the reducing balance method of calculation adopted by the tax authorities than under the straight line method followed by us. I am sure, you will approve of the Directors' decision to set aside this saving in tax to a deferred taxation reserve for the reasons explained in the Directors' Report.

8. As against the increase of Rs 6.65 crores in the provisions for taxes, including deferred taxation, as compared to last year, the allocation to the development rebate reserve is as much as Rs. 7.70 crores less than in the previous year. Taking into account all the variations between the two

ing the feasibility of entering the Gujarat market with a view to lifting a part of the accumulated stocks which will later be allotted to the needy mills in course of time. Bengal Deshi prices have continued to hold steady because of fairly good demand from shippers mostly against their previous commitments. Sales up to July 31 total 2.27 lakh bales. Imports of cotton this season up to July 18 total 5.74 lakh bales which is 1.47 lakh bales less in the corresponding period last season.

Oilseeds

Activity Paralysed

THE oilseeds trade is having a very uneasy time. Activity in the futures market had been almost at a standstill for quite some time and since recently business in the spot market has also been virtually paralysed. The difficulties of the futures market arose with the ban of forward trading in groundnut and its products and the arbitrary low ceilings in respect of castor and linseed. But the confusion that prevails in the spot market is mainly the outcome of the various measures taken by the Gujarat Government to bring down edible oil prices within the State. The ban on the movement of groundnut and groundnut oil outside Gujarat, freezing of stocks and restrictions on sales within the State and fixing the price of groundnut oil for sale to consumers at Rs 1.95 per kilogram - all these measures have had far reaching repercussions on the oilseeds trade outside the State and more particularly in Maharashtra. The price of groundnut oil has come down from Rs 44 to Rs 31.95 (per 16 kilograms) in Gujarat, but in Bombay groundnut oil is still quoted around Rs 25.50 (per 10 kilograms) after having touched a high of Rs 26.50. Wide disparities in prices at different places arising from the actions taken by different State Governments have led to widespread national discontent which is already beginning to threaten industrial peace.

Groundnut and groundnut oil have continued to display remarkable strength despite the ban on export of oil. And the high price of groundnut oil has influenced prices of other oils. Linseed oil has gone up by about Rs 2 per 10 kgs to Rs 21.70 over the past one month or so. And the rise in castor oil has been even more pronounced which, of course, is due partly to sizable purchases by Russia. After being marked up from Rs 15.50 to Rs 18.60, castor oil Commercial is currently quoted around Rs 17.45 (per 10 kgs). Russia is reported to have purchased nearly 8,000 tons of castor oil over the past few weeks. Groundnut extractions have been slightly subdued recently though the current quotation around 416 per tonne is only about Rs 15 below the highest recorded this season. Inquiries from the Communist countries have been limited.

The supply position being what it is, there seems little chance of any big decline in oilseeds prices from the current levels in the immediate future. The near-distant outlook will depend on the progress of the monsoon and the Government's ability to secure soyabean oil and tallow from the U S for which negotiations have been going on for some time. It is understood that two delegations will soon be going to the U S to discuss arrangements for the import of nearly 1 lakh tons of soyabean oil and 50,000 tons of tallow under P L 480. The outcome of these negotiations will be awaited with keen interest.

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Business Notes

Telco

TATA Engineering and Locomotive Co made satisfactory progress in its operations during the year ended March 31, 1964. The Company's production facilities were fully employed for the first nine months of the year. During the last quarter, however, operations were disrupted by a strike in the Calcutta docks which delayed the clearance of imported goods by a strike and communal disturbances at Jamshedpur. Despite this, output rose appreciably. The first stage of expansion to 18,000 T M B vehicles is now virtually complete. The indigenous content of vehicles has now reached 84 per cent and the Company is confident of attaining the target of 90 per cent in December this year. Although the indigenous content is high, it is feared that on account of the exceedingly poor quality of Indian steel, quality steel will continue to be imported for some years.

The second stage of expansion to raise the production to 24,000 vehicles per annum has just begun. The Agency for International Development, which had already granted a loan of Rs 6.52 crores, has agreed to a further loan of Rs 5.62 crores to finance the foreign exchange cost of the second stage. The first loan had been utilized to the extent of Rs 4.10 crores till March 1964. Domestic demand for T M B vehicles continues unabated and in spite of a steady increase in output, the Company is unable to satisfy it fully. Yet the Company has been making efforts to step up its exports. Exports to South Asia and Middle East during the year expanded to Rs 23 lakhs as against Rs 3 lakhs during the previous year.

In relation to the employed funds of Rs 44 crores, which will reach Rs 60 crores by 1966, the present share capital of Rs 12 crores in the Company is disproportionately small with the result that the debt-equity ratio is unacceptably large. The issue of further capital has, therefore, become necessary — not only to find resources for expansion but also to set right the growing imbalance in the Company's capital structure so as to meet the requirements of the World Bank. The Company has, herefore, proposed to raise the paid-up capital by the issue of 200,000 ordinary shares of Rs 100 each in the ratio of one share for every five shares held, at such premium, not exceeding Rs 50 per share, as the Controller of Capital Issues and the Company may agree upon. In addition, the Company will be availing of cash credit facilities from its bankers for its further requirements.

The price of a popular model of T M B vehicle has risen by Rs 7,164 to Rs 37,619 between 1959 and now. Of this as much as Rs 6780 is constituted of sales tax, excise duty and other taxes and Rs 739 represents a rise in the cost of imported products. So much so, the price of a T M B vehicle, excluding the taxes, has actually come down in spite of a disturbing and continuous rise in the price of almost every product and more particularly in the price of locally made ancillary items. If in spite of this the Company was able to show satisfactory results, it was due to the benefits derived from its continuous expansion schemes and large scale production.

In the general engineering division, the output of locomotives fell to 57 from 63, the drop owing to labour trouble and communal disturbances at Jamshedpur. The Company has agreed to supply 200 locomotives to the Railway Board during the Fourth Plan Period on the understanding that on completion of this supply, it would cease to produce steam locomotives and divert its manufacturing capacity to other engineering lines. Production of excavators was hampered by non availability of foreign exchange for import of certain components and raw materials. The Company, however, delivered 33 excavators during the year as against 31 in the previous year. As regards paper and pulp machinery, the Company continued to have serious difficulties in obtaining supplies of plates and special steels apart from the non-availability of skilled and trained workers. Due to these factors, the Company proposes to concentrate on production of a limited number of standardised items of paper and pulp machinery. This will avoid waste of production facilities and enable their diversion to more profitable and useful lines.

Operating profits during the year were Rs 115 lakhs higher than in the previous year, but the increase was absorbed by increased allocations to depreciation, development rebate reserve and taxation with the result that the net increase in the disposable profit was only Rs 20.62 lakhs at Rs 136.15 lakhs. As this amount was not sufficient for maintaining the dividend at 14.5 per cent on the enlarged capital, a sum of Rs 8 lakhs was transferred from General Reserve to enable this payment. However, the prospects of the Company maintaining the rate of dividend, even after the new issue of 200,000 ordinary shares, appear good in view of the rise in profits that would follow expanded output.

The table below highlights the progress of the Company during the past five years:

Tata Engineering and Locomotive Co.

(Lakhs of rupees)

	1959-60	1960-61	1961-62	1962-63	1963-64
Sales including excise duty	2825	37.55	4164	4364	5151
Profit before taxes and reserves	222	313	378	327	404
Provision for tax	94	112	188	185	200
Net profit before reserves	128	191	190	143	204
Earning per Ordy share (Rs)	15.03	22.58	22.79	18.48	22.56
Dividend per Ordy share (Rs)	12.50	14.50	14.50	14.50	14.50
Book value per Ordy share (Rs)	122	130	138	148	167
Gross Block	2201	2593	2954	3281	3920
Net Block	1261	1476	1618	1730	2118
Capital	999.9	1000	1000	1000	1198.4
Reserves & Surplus	174.2	241.1	307.4	509.4	702.5
Borrowings	1014	1263	1471	1758	2470
Total capital employed	2188	2504	2778	3267	4370

Indian Overseas Bank

THE net profit of the Indian Overseas Bank Limited for the half year ended June 30th 1964, subject to audit, including the sum of Rs 1.02 lakhs brought forward from the last year's account amounts to Rs 23.01 lakhs subject to tax, as against Rs 22.79 lakhs in the corresponding period of last year.

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Time for Action

THERE is a lull, not on the food front, but only in the spate of orations on it. As coming events cast their shadows, with the monsoon coming to an end, and the approach of the harvest, food prices should by now tend to flatten out, but they have not, judging by *The Economic Times* indices for foodgrains, which have shown over the years a very close corelation to the official index with a time lag of three weeks. This index stood at 156.9 yesterday, as compared with 154.6 a week ago, 148.3 a month ago, 136.2 three months ago and 119 on the same day a year ago. It is not surprising, therefore, that Shri Subramaniam's assurance that the worst was over and that the prices of foodgrains were falling should be challenged. There is nevertheless a lull—in the spate of orations on food. The wise ones have all spoken and Delhi, after all that it could do to invite the speculators to help themselves, has slackened its efforts.

It is not the present Food Minister's fault that no action was taken at the time of the last harvest to build up stocks. Last year also, the arrivals were poor and prices did not show that seasonal decline which could have encouraged action, had it been the Government's policy then to act. Anyway, the time for action when it could have been effective having passed, it would have been wiser for the Government to keep mum and resort to whatever expedients were available to tide over the lean months. Relaxation, if not complete elimination, of zonal restrictions was clearly called for and so was the prompt and bold, even reckless, disposal of whatever stocks the Government had or could lay its hands on while every attempt was made to import food from wherever available.

It is only in regard to the last that the Government has acted with some energy. In the matter of modification of zonal restrictions, Subramaniam has cut a caper. As the public does not know about Government stocks and what use is made of them, no judgment is possible on this score. In retrospect, however, the record of all that should not have been done adds up to a heavy indictment, not so much of the Food Minister as of the others. Nandaji's summons to the police chiefs to meet in Delhi to devise ways and means for quelling food riots was the clearest possible call to whoever held foodgrains to hold on to the stocks, promising them, as far as it lay in the powers of the Government, a situation in which it might not or would not be possible to maintain distribution at controlled prices. Were any special efforts needed on the part of the Home Ministry to project the possible shape of things to come, in complete disregard of its likely effects on expectations in the certain direction of holding back supplies from the market, instead of stimulating their flow?

If the outcome of the Delhi Conference of the Food Ministers of the States in which an emphatic announcement of an agreed all-India policy of freer movement was made, followed almost overnight by the flat refusal of the States to honour any such agreement, was a sad confession of the pathetic helplessness of the Centre vis-a-vis the States in the matter of food, what is one to say of the subsequent capers of the Food Minister when he went around all over the country threatening dire consequences to hoarders in order to make them disgorge? Did he succeed in breaking the traders' ring? In this, not to speak of getting the States to line up with him, he could not even carry his Cabinet colleagues. After a show of fight, he had to give up when Lal Bahadur Shastri called a halt to the

of undeclared stocks, and held up an olive branch to the recalcitrant wholesalers by announcing a fortnight's amnesty. That fortnight has passed but no reports have been coming in of the resumption of action against hoarders; the flow of stocks to the market has not been reported to be any quicker nor has rise in the food *price index been halted, as claimed by Subramaniam.*

The time for action is here and now, not for capers or for shadow boxing. The Food Minister struck a rare note of hope in one of his lucid moments when he expressed his determination to grapple with the real problem by setting up an organisation for acquiring food stocks as a condition precedent to evolving a rational distribution system. This is the time to press on with the preliminary work for it. What is even more important, however, is to win the approval and ensure the active support of his colleagues in the Cabinet so that he may not be let down, as in the past.

Corporate Taxation and Investment

HOW far are the effective, as distinct from standard, rates of corporate tax conducive to fresh private investment and consistent with the broad priorities of industrial development? Fundamental as the question is, there can be no clear and unambiguous answer to it. For, the effective tax rate depends upon a wide variety of factors like the composition of ownership of a company, carry forward of unabsorbed depreciation, development rebate, tax holiday and losses, the extent of investment in other companies and, finally, the relationship of profits to capital invested for purposes of super profit tax or surtax. Nor can the effective rate be related easily to the trend of investment, with or without lags and leads, in a particular industry because there are a number of other variables in the situation like licensing, availability of foreign exchange and other resources, earlier investment decisions, etc.

Subject to all these and many more qualifications, it is interesting to find from the latest Reserve Bank survey of the finances of public companies that the rate of gross fixed asset formation slackened only slightly between 1961-62 and 1962-63, from 10-1 to 9-7 per cent, while the effective tax rate rose steeply from 38.3 per cent of profits before tax in 1960-61 to 43.3 per cent in 1961-62 and further to 50.6 per cent in 1962-63 (see Table 1). Out of the 128 industrial heads distinguished by the Reserve Bank, 14 recorded an increase in the rate of fixed capital formation. In all these 14 heads, the effective rate of taxation increased between 1960-61 and 1961-62. It declined in respect of 5 industrial heads between 1961-62 and 1962-63. These were: rubber, coal, jute, iron and steel, and non-ferrous metals. In one case, edible oils and ...spati, on the other hand, tax lia... ...declined over the period and so ...l capital formation, quite

... foolhardy to attempt ...tions on the basis of such data and that too for a limited period of time, but can one hazard the tentative statement that, leaving aside the abnormal situations that arose during this period, we have reached a stage when an increase in effective tax liability is not by itself a strong deterrent to fresh investment? *If* (and that is a big if) that is correct, should we not have a fresh appraisal of the role of tax concessions for promoting private investment in general?

As for the industry-wise pattern of taxation, it is obvious that there is a wide divergence in tax liability, all of which does not seem to be consistent with whatever priorities we are supposed to have. Silk and rayon appeared to enjoy the greatest preference; its effective tax rate of 19 per cent in 1962-63 was the lowest among all 28 heads, as compared with 22 per cent for steel and 51 per cent in the aggregate. In that year the effective tax rate in 15 industries exceeded the overall average, while it was less than the average in 11 and practically equal to average in the remaining 2. These in-

Table 1: Tax Provision and Asset Formation

		Tax Provision as Percentage of Profits before Tax			Gross Fixed Assets Formation Rate	
		1960-61	1961-62	1962-63	1961-62	1962-63
1	Tea	46.5	51.8	61.4	6.6	6.9
2	Coffee	25.5	43.5	54.1	2.8	4.0
3	Rubber plantation	50.5	56.4	49.4	1.1	2.3
4	Coal	46.1	57.4	50.6	5.9	7.5
5	Edible oils	44.4	53.9	38.4	11.1	2.1
6	Sugar	41.6	50.5	72.2	7.9	6.3
7	Tobacco	48.5	53.8	59.0	8.3	8.0
8	Cotton	35.0	42.1	54.4	10.4	11.4
9	Jute	39.3	106.6*	37.8	5.4	11.5
10	Silk & rayon	20.3	16.1	19.1	32.8	13.1
11	Woollen	47.7	46.4	53.0	8.4	11.9
12	Iron & steel	13.1	25.9	22.0	2.5	2.9
13	Non-ferrous metals	31.7	46.0	40.0	15.9	36.8
14	Transport equipment	40.0	50.9	59.6	16.2	17.5
15	Electrical machinery, etc.	44.5	43.3	61.6	15.7	14.6
16	Other machinery	39.5	42.9	57.9	24.3	15.2
17	Foundries and workshops	59.5	58.3	61.3	16.1	13.7
18	Metal products	40.9	45.4	49.8	9.4	8.7
19	Basic chemicals	34.6	37.0	41.3	31.3	27.1
20	Pharmaceuticals	44.5	45.0	56.2	25.4	21.2
21	Other chemicals	48.5	50.3	63.9	9.3	10.2
22	Matches	48.2	52.2	53.3	4.6	3.2
23	Mineral oils	41.1	47.4	68.0	3.6	1.2
24	Cement	41.0	37.1	45.6	5.0	8.9
25	Paper	32.1	38.1	46.9	13.6	12.3
26	Power	[illegible]	24.7	33.1	7.0	8.1
27	Trade	52.0	53.7	57.5	4.3	1.0
28	Shipping	—	—	43.7	16.6	20.1
	TOTAL (incl others)	38.3	43.3	50.6	10.1	9.7

Source : Reserve Bank of India Bulletin, July 1964, p 852.

* A rather curious case on which no light is thrown in the *Bulletin* article.

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dustries were as follows:

Higher than average effective tax-rate: tea, coffee, sugar, tobacco, cotton, woollen, transport equipment, electrical machinery, other machinery, foundries and workshops, pharmaceuticals, other chemicals, matches, mineral oils, and trade.

Lower than average effective tax-rate: rubber plantations, edible oils, jute, rayon, steels, non-ferrous metals, basic chemicals, cement, paper, power, and shipping.

Equal to average effective tax-rate: coal, metal products.

This classification is, of course, the result of many accidental circumstances, but the absence of a clear pattern of relationship between tax and development policies is not without significance.

Another interesting point brought out in the Reserve Bank survey is that the tax liability of companies with share capital of between Rs 5 lakhs and Rs 25 lakhs has increased much more than that of larger companies—this was before the TTK budget took effect—and has been superimposed upon an unfavourable position to begin with. This difference is largely the consequence of section 104 (formerly 23A) of the Income Tax Act, which is concerned exclusively with the structure of ownership of a company, not what its business is. It would be interesting to see the impact of the TTK budget on this rather odd situation.

A word, finally, about the somewhat dismal aggregate picture presented in the Reserve Bank survey. It relates to 1962-63. The performance in 1963-64 which the Bank will analyse only a year from now has been much better.

Table 2: Tax Provision and Asset Formation, by Size of Companies

	Size Group (Share Capital)	Tax Provision as percentage of Gross profits before Tax 1961-62	Tax Provision as percentage of Gross profits before Tax 1962-63	Fixed Assets Formation Rate 1962-63
1	Rs 5 lakhs to 10 lakhs	50.1	62.2	7.1
2	Rs 10 „ „ 25 „	47.4	63.4	11.1
3	Rs 25 „ „ 50 „	48.7	54.2	10.0
4	Rs 50 „ „ 1 crore	45.3	50.0	8.6
5	Above Rs 1 crore	40.5	47.7	9.9
	TOTAL	43 3	50 6	9.7

Weekly Notes

Decision on Bonus

THE Government has at last made up its mind on the Bonus Commission's recommendations. The reasons for the inordinate delay in arriving at a decision are no secret. Though the Commission itself had recommended that the Government should take its decision on the Commission's report without further reference to employers or workers, the official summary of the Commission's recommendations, released by the Government early this year, had met with the strong disapproval of employers and provoked numerous representations to the Government by different trade associations and representatives of employers' interests. What was interesting was that the demands made in these representations often far exceeded those of the employers' representative on the Commission, set out in his minute of dissent. As for the trade unions, they appeared to be broadly satisfied with the recommendations and their efforts were, therefore, directed at securing their early acceptance by the Government. Even within the Government there were differences—the Finance Ministry as well as some of the other economic Ministries with industrial undertakings under them being of the opinion that the recommendations of the Commission imposed an onerous burden on industry. There followed the appointment of the committee of Secretaries of the Ministries directly concerned with economic affairs, presumably to hammer out a compromise. The Committee suggested certain modifications in the Commission's award, all of which tended to favour the employers, judging by newspaper reports.

Against this background of organised pressure it was anticipated that the Government would make some changes in the Bonus Commission's recommendations and that these would generally go to favour the employers. Interest had come to centre, in particular, on the Commission's recommendation of a minimum bonus which all industrial units would have to pay irrespective of whether they made a profit or not. The representatives of employers' interests had concentrated fire against this provision on the ground that it was inconsistent with the concept of bonus as a profit-sharing device and that it would impose a heavy burden on the smaller and less prosperous units. The Committee of Secretaries had also expressed itself against a minimum bonus, according to reports.

It will, therefore, come as a relief to workers that the Government has accepted the Commission's recommendation of a minimum bonus payable by all employers. The modifications that have been made in the Commission's award are, however, all in favour of employers. These relate to the computation of the 'available surplus' out of which bonus is to be paid. In computing 'available surplus' all direct taxes in force are to be deducted as prior charge and not only income-tax and super tax as recommended by the Commission. Further, tax concessions given to industry to provide resources for development have been accepted as a prior charge. The rates of return on capital to be taken as a prior charge have also been stepped up. The Commission had recommended that the rates should be: the actual rate payable on preference capital; 7 per cent on other capital and 4 per cent on reserves. As against these, the Government has accepted, in addition to the actual rate on preference capital, for all industrial units except banks, 8.5 per cent on ordinary capital and 6 per cent on reserves. For banks, the rates will be 7.5 per cent on ordinary capital and 5 per cent on reserves. The Government also considers it desirable that beyond a certain maximum, bonus should be paid in the form of securities instead of in cash. This is to be decided by negotiations with labour organisations or through tripartite discussions.

Since these modifications would, in effect, reduce the quantum of bonus payable by any industrial unit except those who are liable to pay only the minimum, it is hardly surprising that the announcement of the Government's decision has met with a hostile reception from labour leaders. Using remarkably similar language, leaders of

the two principal labour organisations, the INTUC and the AITUC, have warned the Government that labour "will not take it lying down". What form labour protest will take remains to be seen, but it is clear that the impact of the changes made by the Government will be to narrow down the difference between the lowest and the highest bonuses.

Land Reform

THE appearance in print of the findings of an enquiry into the progress of land reform in selected districts has cut the Planning Commission to the quick. Shriman Narayan, member of the Commission in charge of agriculture, has thought it necessary to issue a statement characterising the findings as "untenable and unfounded" and, therefore, unworthy of publication, adding a homily to newspapers "strongly deprecating" the "unauthorised publication of confidential documents only to create a wrong impression about Plan programmes".

The Planning Commission and the Government are certainly not unused to criticism of economic policies and performance by foreign experts, especially those sent out by our creditors. They have put up with it in the past and often accepted it, even when this meant departing from policies earlier proclaimed as basic to our approach to development. Why, then, has the Planning Commission reacted so sharply in this instance? It is not clear. For, the truth to tell, the report by Wolf Ladejinksy, an American, has brought to light no startling facts not already well known. That the impact of land reform has been far short of what was expected or is necessary for the progress of agriculture is not news; haven't official investigations themselves come to that conclusion?

While condemning Ladejinksy's criticisms as unfounded, Shriman Narayan's only argument is that the coverage of the survey is extremely narrow, being limited to about ten villages in each of the districts studied. This may be too small a sample, but surely Shriman Narayan did not imply that the American expert deliberately picked villages where land reform has lagged behind. That is preposterous. On the contrary, if a bias has been introduced by the choice of villages, it is in a different [illegible]ection. The villages and districts [illegible] are those covered by the Inten[illegible]ict Programme. These dis[illegible]posed to be hand-picked [illegible]nes where conditions [illegible]ble for a quick increase in agricultural production in response to larger farm inputs and better cultivation practices. Completion of land reform , one would expect, would be one of the principal criteria for selecting the districts. Unless, therefore, the choice of districts for the Intensive Programme has been completely arbitrary, it is possible to argue that if the progress of land reform in the districts investigated by Ladejinksy is so poor, then conditions elsewhere must be far worse.

Bad Laws, Ill Enforced

THE indictment of land reform is on two counts: that legislation in most cases is too complicated, with loopholes enough to ensure its being subverted; and, second, that even these laws have been imperfectly implemented. The districts surveyed by Ladejinksy are: Tanjavur (Madras), Aligarh (Uttar Pradesh), Ludhiana (Punjab), Shahabad (Bihar) and West Godavary (Andhra). Only in Uttar Pradesh has the land reform legislation been found to be well *thought-out and comprehensive. In* Madras and Andhra the legislation continues to be of a temporary, stop-gap nature and comprehensive legislation has yet to be enacted, and in Bihar the law in force is the Tenancy Act of 1885 with some "wholly inadequate" modifications -and this when, according to the Third Plan, land reform programmes "were given a place of special significance in both the First and the Second Plan." The legislation in Punjab is "extremely defective and needs complete overhauling". Commenting on it, it is pointed out: "A land reform programme which seeks the improvement of tenancy conditions by aiming to evict about 5,00,000 tenants and settling them on new holdings is highly illogical, to put it mildly". Similarly, laws relating to fair rent not only fix the level of rent very high—50 per cent of gross produce in West Godavary, for instance—but provide no "tools of enforcement". It is hardly surprising, then, if the actual rents paid by tenants are exhorbitant, far in excess of the already high legal limits.

About implementation of the inadequate laws, Ladejinksy has this to say: "Officials behave as if the Act was not meant to be enforced and, in the circumstances, landlords see no cause for being on the defensive". Apart from the attitude of the officials at the State, district, block and village levels, an important obstacle is the almost complete lack of tenancy records. Land records seldom contain any information about tenants, and landlords still continue to change tenants from plot to plot to defeat tenancy laws. The result is that a very large number of cultivators hold no title to the leased lands, pay exhorbitant rents and are never certain of their status; they are left with little to subsist on and much less to invest; and security of tenure is "unreal, illusory and ineffective".

Without lease deeds, the tenant cannot get a loan from the co-operatives. Even when the tenant can fulfil the requirements for obtaining a loan, the maximum he can get is very small. The village level workers, similarly, are reluctant to prepare production plans for tenant farmers or even for owner-tenants without the approval of the landlord. Is it surprising, then, if "the vast majority of tenant cultivators are poor investors"?

The Lessons

THE Planning Commission may not want to publish Ladejinksy's report—for obvious reasons—but it will do well not to ignore some of his recommendations. The first among them is that the task of preparing basic records of tenancies, covering the entire countryside, should be taken in hand immediately. Now that almost the whole of the rural sector is claimed to be covered by agricultural extension, it is difficult to see what stands in the way of preparation of these records without which no intensive agricultural development programme, aiming at reaching every farm family, can be carried through. When the basic records are completed, every tenant farmer should be given a certificate showing the plots he cultivates. Only when this is done can security of tenure, which constitutes the core of the whole scheme of land legislation, be ensured.

It is well known that landlords all over the country have used their right of resumption of land for self-cultivation to defeat legislation aimed at giving security of tenure to the tenants. It is recommended, therefore, that the right of resumption should be restricted drastically: "No resumption should be permitted to absentee owners and others whose principal occupation is not cultivation, and it should be so regulated that the holding of the tenant cultivator is not reduced below the size of say, a family holding". Finally, in respect of non-resumable land, it is suggested that steps should be taken to transfer ownership to the tenants as soon as possible. This, of course, presupposes that the current procedures for transfer of ownership and determination of compensation are changed and made simple and easily enforceable.

Faced with the food crisis, there is talk in the Government of shifting the emphasis from industry to agriculture in the Fourth Plan. This concern for agriculture would be more meaningful, were it based on a clear understanding of the reasons why the performance of the agricultural sector has not been better than it has been, in spite of the organisational effort and vast investments which have already been made under the three Plans? There can be little doubt that the virtual failure of land reform lies at the heart of the problem. But there is little to indicate that the Planning Commission and the Government adequately appreciate this or that they are prepared to act on that basis.

Break for Primary Exports

THE continuous deterioration over a number of years of the terms of trade of primary producing countries, which are also the poor countries, is an established fact of international trade and its redressal has constituted the objective of much of the national and international effort in this sphere. In 1963, however, for the first time since 1954 the terms of trade of these countries showed an improvement—calculated at 3 per cent in the latest annual report of the International Monetary Fund.

This happy development was the result of the rise in the prices of primary products. On average these prices (excluding those of petroleum which were unchanged) were approximately 10 per cent higher in 1963 than in 1962. However, roughly half of this rise reflects the upsurge of the world price of sugar, which nearly trebled between 1962 and 1963. The average gain, excluding sugar, amounted to not more than 5 per cent. Prices of foodstuffs, excluding sugar exceeded the 1962 level by some 6 per cent, while prices of raw materials, which had been much better maintained in preceding years, showed a smaller rise.

Against this increase in export prices, prices of the commodities imported by these countries changed very little, resulting in the improvement in their terms of trade. The importing power of their exports, which for years had tended to rise less than the export volume, rose between 1962 and 1963 by about 8 per cent, compared with an increase in the volume of exports of 5 per cent.

Not all primary producing countries gained equally from the increase in export prices or from the expansion in the volume of exports. Exports of most of these countries are concentrated on a few products and there was considerable variation in the movements of individual prices. In general, however, most of the groups of primary producing countries experienced either a larger percentage expansion in export earnings in 1963 than in 1962 or an expansion in 1963 compared with a contraction in 1962. One notable exception to this pattern is the petroleum exporting countries in whose case the increase in export earnings was lower than in the previous year.

Particularly large gains were made by Brazil, Philippines, Australia, New Zealand, UAR, Hong Kong, India and Taiwan. In the case of India, it needs to be pointed out that her export earnings rose sharply in 1963, after many years of very slow growth, even though the commodities constituting the major portion of her exports did not share in the upward movement of primary product prices.

The great variety of factors responsible for the price increases in 1963 makes it difficult to assess likely future trends. However, for the less developed countries as a group, the immediate prospects are favourable. It appears likely that their export earnings will show a further rise from 1963 to 1964. First, higher unit values may be expected in 1964, both because the rise in prices during 1963 had not yet been fully reflected in export earnings and because there was a further rise in prices for primary products in the early months of this year. In addition, continuing prosperity in the industrial countries gives promise of a rising volume of exports to them.

These factors may render the immediate economic climate for the developing countries rather favourable, but the long-term prospects remain problematic. The rise in export earnings last year was partly attributable to temporary factors and there can be no assurance that the growth of exports will continue at a rate which will enable them to increase their imports sufficiently to meet their targets for economic development. A growth rate of 5 per cent per annum in all developing countries by 1970, the target set for the U N Development Decade, it has been estimated, will lead to a deficit in the trade of these countries of the order of $20,000 million by 1970—if the present trends in international trade continue. A gap of this magnitude cannot be left to the operation of the market mechanism to close, but will require all the deliberate effort which both the developed and the developing countries can summon.

Bombay Gas

NO letter is published in the reader's columns unless the writer discloses both his name *and* address, whether these are intended for publication or not. This is the common and established practice. Even one who wants to remain anonymous or to appear in print under a pseudonym has to disclose his name and address in order to establish his bona fides. Though the Matunga reader who has given his name but not his address in his letter to the editor automatically disqualifies himself for publication, his main contention is presented below, nevertheless, lest some unwary readers fall into the same confusion.

Commenting on the editorial in the issue of the 22nd, D V Rao writes: "There is, of course, a case for an increase in the gas rates on the facts disclosed in Mr Jalan's speech, but does the speech give all the facts? Has he disclosed that there are some very valuable chemical by-products in the process of preparing gas out of coal and these by-products fetch a pretty penny under present conditions of exchange shortage and a protected sellers' market?"

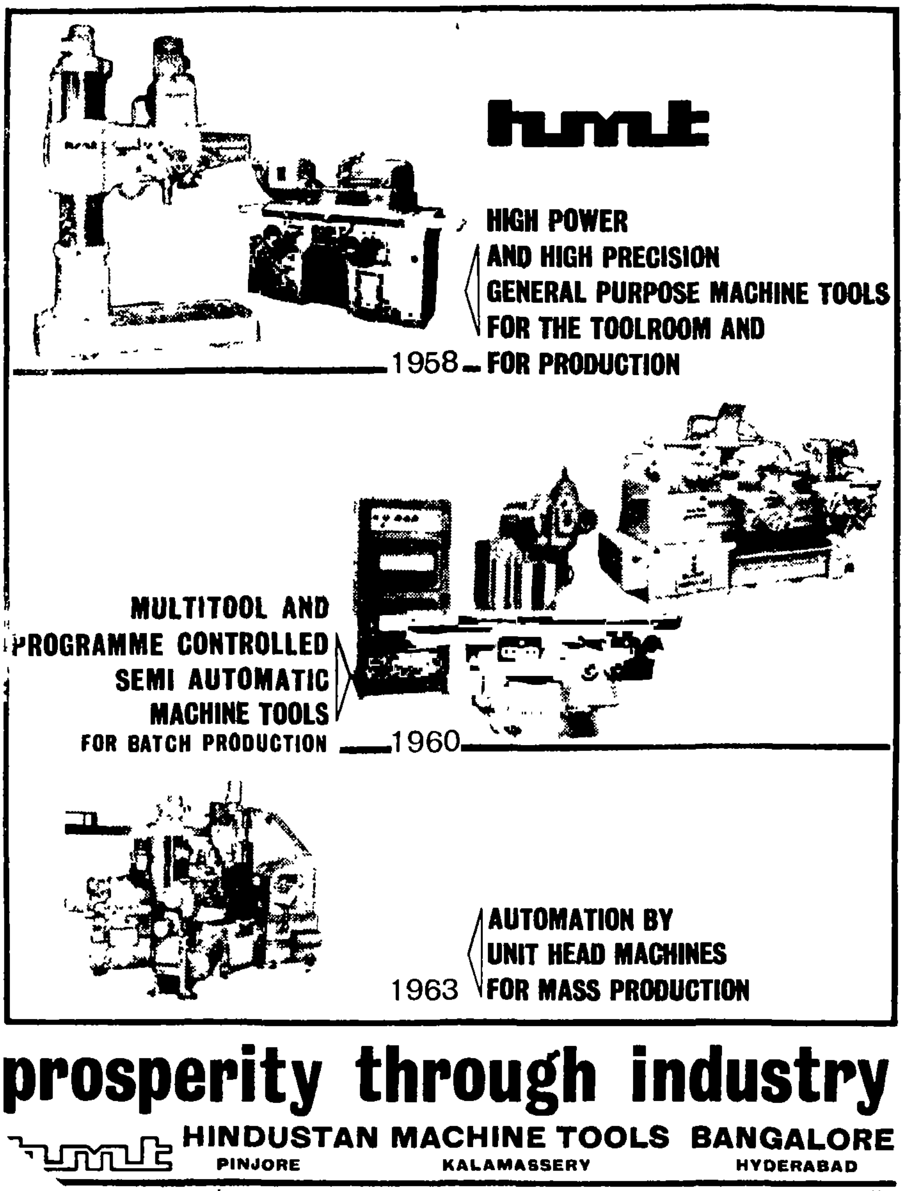
He finds that N K Jalan's speech "had glaring inconsistencies when describing the Co's 'losses' which amounted to a huge figure every day! The *reductio ad absurdum* of this claim lay in the bare fact that the Gas Co had not, in spite of these astronomical losses, gone into liquidation yet! And yet you blindly assure your readers you have 'carefully checked' Jalan's figures!"

Whether there are inconsistencies in Jalan's speech or not was not discussed in the editorial. The specific charge against it is that it had assured the readers that Jalan's figures had been 'carefully checked'. If Rao would look up the editorial, he would find that the claim to have carefully checked up the figures was made only of the figures of consumers of piped gas and bottled gas. No other figure was referred to or discussed in the editorial in question. We repeat that the figures given by N K Jalan, viz above 100,000 and 18,000 consumers of bottled gas and of piped gas, respectively, were checked and found correct.

Further D V Rao challenges that in computing losses, Jalan did not take into consideration the receipts from

the sale of by-products. This is, again, another point which does not concern the editorial. Rao will be surprised to know that all the receipts of the Gas Co, including those from the sale of by-products, must be computed, as this is a matter of routine in working out the profits and losses of the Gas Co, both by the company's own auditors and the Government-nominated auditors who, under the Bombay Gas Act, annually check the accounts.

It must be his inflamed imagination which made this irate Matunga reader read into the editorial an advocacy for the Gas Co. Whether the supply should be left with the Company or not is a question, it held, to be decided on merits. On that opinion may differ but opinion will not differ on the overriding urgency, as in the past, of vastly increasing the number of gas connections in the city and suburbs. Failing to do that, Government can be fairly accused of appearing to be hand in-glove with the oil companies.



Letter to Editor

The Age of the Commoner

AS one who sets much store by the views and comments of a journal like *The Economic Weekly*, I cannot but speak my mind about an ominous symptom that seems to have been manifesting itself in your columns for a long time, conspicuously since the death of Pandit Nehru.

I am referring to Romesh Thapar's articles. It is most unfortunate that Thapar's articles do no more appear to breathe the same spirit of a virile, unfettered columnist as they appeared to do before Nehru's death. It was Thapar who wrote in your columns on November 16, 1963:

> "Significantly, despite his physical and spiritual exhaustion, he (Nehru) alone at the moment possesses those qualities which can bridge the gulf between the rulers and the ruled and assist a break-through to new perspectives. Yet he is also the major obstacle to such a break-through. His inaction reduces India to impotence ... over the years he has urged his people to espouse socialist remedies to eliminate poverty and destitution, to usher in an egalitarian, humanist society. Over the years, too, he acted to prevent the laying of a firm foundation for such a society. This startling ambivalence in his attitudes, and consequently his total neglect of the need to support institutionally the processes of democracy, secularity and socialism, also finds full reflection in the formulation of his foreign policy. In this complex manner Jawaharlal Nehru has become not only a bulwark for progress but also a bulwark against progress. This perhaps explains his towering strength in the past and his pathetic weakness today".

On the face of it, what an unbiased, penetrating, and critical evaluation of Nehru, only eight months back! It was this spirit that won Thapar his admirers. And it was, I am afraid, this very spirit that, during Nehru's life-time, created a very wrong idea about Thapar's opinions and beliefs. The above quotation is simply exquisite in its depth and objectivity. But carefully examine the following extracts from Thapar's "Capital View" in different issues of your paper from January 1964 till just before Nehru's death.

> "Jawaharlal's power is passing, somewhat visibly to ambitious colleagues at the Centre, to equally ambitious bureaucrats, and to certain Chief Ministers ... Of course, the old man, as they now call him, still appears to be the master". (January 4, 1964).

> "The fact that the beginning of the end of the familiar Nehru Era does not fuse a protest movement suggests that a certain exhausted conformism has been achieved horizontally at the leading levels of all major political parties. The battle of pro-Nehru and anti-Nehru wings in these political parties reflects the mood of a middle-class leadership". (January 11, 1964).

> "Jawaharlal Nehru alone could have stemmed this communalist tide, but his energy is broken. His place has been taken by pigmies who mutter and murmer on the side lines". (March 28, 1964).

In the light of the impeccable extract from the November 1963 issue, how do these later comments read? 'Power is passing', 'ambitious colleagues', 'still appears to be the master', 'does not fuse a protest movement', 'exhausted conformism', 'middle class leadership', 'alone could have stemmed this communalist tide', 'his place has been taken by pigmies who mutter and murmer on the side lines'—what do all these expressions drive at?

However odd these may appear now, they were overlooked till Nehru's death. But in the light of Thapar's recent writings they assume special significance. I invite your careful attention to the following extracts.

> "... the general desire of the High Command to favour so-called centrist positions which, in the absence of Nehru, have become a convenient cover for incoherence about policies and perspectives .. The need is for healthy, powerful and effective action to make the High Command realise that the country is not to be satisfied only with mediocrity .. there is an unhappy tendency to romanticise the age of the commoner". (July 4, 1964).

> "What does it matter if certain facets of an over-all, balanced policy are more deeply etched now that the old-man isn't there to question the emphasis! ... Shastri's comments to journalists of various description are being researched. Vagueness in attitude to foreign and domestic issues is now seen as the calculated and skilful preparation of a man who wishes to change Nehruist policies, evolved and consolidated over some sixteen years, without arousing undue alarm and suspicion ... The quiet, efficient operation against the strong men in the States ... is viewed as reflecting a determination to place honest, mediocre men in the saddle, men who will do as the High Command directs". (July 11, 1964).

"Centrist positions which, in the absence of Nehru, have become a convenient cover for incoherence about policies and perspectives", "the country is not to be satisfied only with mediocrity", "unhappy tendency to romanticise the age of the commoner", "the old man isn't there to question the emphasis", "man who wishes to change Nehruist policies evolved and consolidated over some sixteen years", "determination to place honest, mediocre men in the saddle",—all these bits and fragments are no incoherent pattern; rather, they lead a reflecting mind to discern two distinct strands in Thapar's opinion and belief: (1) his fascination for the sophisticated and the so-called intellectuals, and (2) his complete lack of faith in common (?) men, even though they happen to be honest and sincere. Thapar's complete lack of faith in democracy and democratic institutions necessarily follows.

It would be the height of folly on my part were I to deny all the criticisms that Thapar has made of the present state of affairs, in politics or elsewhere. Like Thapar, I am also aware of the dangers and limitations of mediocre, unimaginative, and, in many instances, worthless leadership. Panchayati Raj, which is being pushed through with so much fanfare, is undoubtedly an eloquent testimony to the consequences of such leadership. But, although the manner in which leadership is being sought to be developed at present does not have my support, unlike Thapar, I do commend the orientation of approach toward the less sophisticated, the less ambitious. And, I believe, the pre-condition for the growth of desirable and viable leadership, especially in the Indian context, is such an orientation. "Aristocratic intellectualism" here, as elsewhere, as an indispensable element of leadership, has

long since been discredited. Leadership to survive must necessarily be from the masses and of the masses, not in a theoretical sense but in an intensely practical way.

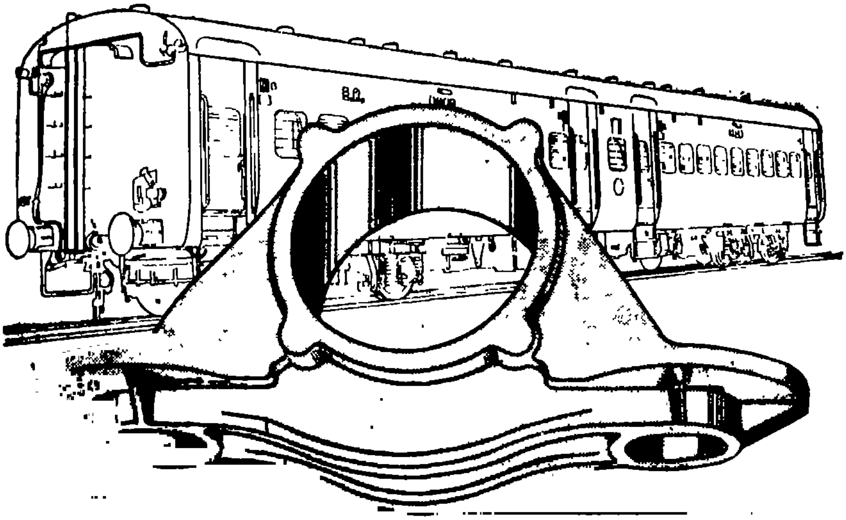
While condemning the present "unhappy tendency to romanticise the age of the commoner", one must not forget that the Congress High Command, under the paralysing influence of Nehru's presence, had too long been obsessed with "aristocratic intellectualism" to turn its eyes to the commoner for leadership. The tendency that we witness today may seem unhappy, but it was inevitable—nature is too exacting in her claims for compensation.

I should like to point out to Thapar that an honest 'mediocre' man is a thousand times preferable to a dishonest 'talented' man. Honesty blended with mediocrity may not bring about the desired progress in the shortest possible time; but, unlike dishonesty combined with talent, it does not undermine the superstructure of all values, to the detriment of national character and of all progress.

BALENDRANATH NANDY

Hooghly,
July 23.

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Letter from South

Shaping Alignments in Kerala

THE elections in Kerala having been fixed for February next year, some form is emerging out of the general chaos of the fragmented politics in the State. There are indications that the Congress may yet be dislodged from power, despite the serious fissures on the Left.

The C P I has split into two roughly equal halves, at least as far as the membership is concerned. The official C P I has, however, the greater number of the middle cadres, MLAs, journalists, agitators and the like. The Left Communists are banking heavily on the popularity of E M S Namboodiripad and A K Gopalan, than whom no party in Kerala has more prestigious leaders. Both parties have, however, come separately to the same conclusion regarding the central issue of the coming elections. The masses of Kerala are anxious for a change. Their experience with the re-established Congress rule, after the "liberation war" of mid-1959, has been a sorry one on any account. Sensing this mood both the C P I and the Left Communists have proclaimed the aim of breaking the Congress monopoly of power in the State.

Leftist United Front?

Even more important are the declarations of Achuta Menon, on behalf of the C P I, and of Namboodiripad, on behalf of the Left Communists, that their serious ideological and organisational differences will not come in the way of organising a joint front with the aim of electoral victory. The possibilities of this unity have been helped by the active role now being played by the R S P, which has come to occupy a crucial position despite its small size. It has put forward the slogan of Left Unity, with which it hopes to be able to cover not only the two C Ps and itself but also independents, progressive Catholics and even perhaps what remains of the P S P.

Quite an important part in these efforts to consolidate the Left opposition to the Congress will be played by the Catholic peasant's organisation, led by Father Vaddakkan. It has been working in association with the peasants' organisation of the Communists, in spite of antithetical fundamental beliefs and a fairly recent past of bitter acrimony. Whatever the numerical strength of the Vaddakkan group among the Catholics, its joining the Left Front or even its benevolent neutrality towards it will rob the Congress as much of the fervour and passion which characterised its campaign in the 1960 elections when the tidal wave of Catholic votes swept off the Communist candidates in a great number of constituencies.

The Snags

It should not be too difficult for the Left Front to work out a minimum programme to be implemented by its Government, should it come to be formed. It should also not be too difficult to decide about a future Chief Minister since Namboodiripad is clearly marked out for this role. The snags will come with regard to the distribution of seats. It may well be that the RSP, knowing its crucial position consequent on the Communist split, will demand and partially obtain far more constituencies than its present influence should permit. Even greater difficulty may well be encountered when it comes to deciding between prospective candidates sponsored by the C P I and the Left Communists. Many constituency parties have, of course, clearly indicated their preference but in very many more decision may well become difficult. Maximum restraint, tolerance and strength of purpose will be required to iron out such ticklish questions, which are not insuperable, by any means.

The united Left gave an indication of its strength when it gave a call for general strike and hartal on the food-price problem throughout Kerala on the last day of July. The respons was massive and effective, even though the absence of a metropolis like Bombay meant that its all India impact could not be very spectacular. Through movements and united campaigns of this nature a mass expectation of united Left electoral action may well be built up which its various segments will not be able to oppose, even if some sectarian hotheads desire it.

This kind of united work in Kerala will have big repercussions throughout India, especially on the C P I and the Left Communists. Without going into the question of who was responsible for the split, it is evident that seeking identity the Left Communists are keener on differentiation. Yet their most powerful and reputed leaders, like Namboodiripad, are openly asking and working for united political action with those whom their more ebullient colleagues denounce as "Congress satellites". Of course, it would be quite wrong to hope that the prospects of united political action in Kerala will close the Communist schism. It will only give it somewhat different dimensions and open avenues which could be explored for more such united action.

The Congress in Kerala is facing the prospect of united Left opposition against it with the usual complacency. The death of Chacko, coming shortly after that of C K Govindan Nair, has not ended the internecine war. It has only meant that the opposition to the ministerialists as well as the KPCC majority now lacks a leader of any stature. But this has not deterred them from carrying on Chacko's cause with memoranda and deputations against both the Chief Minister and the organisational bosses. Various personages have rushed to Kamaraj and to Lal Bahadur. Sadiq Ali has made an inspection tour of the State on behalf of the High Command. Not all of this flurry nor the emergence of a real possibility of united opposition has even papered over the cracks in the Congress. It may be possible to avoid a dramatic split but it certainly looks as if it will be impossible to restore any effective unity in the ruling party.

Muslim League's Role

There are many good men and true who still follow the Congress. In the Malabar group, which was under the leadership of the late C K Govindan Nair, and in patches elsewhere there remain Congress workers and leaders who have yet the fire of a mission. Otherwise the Congress in Kerala is pretty rotten and resembles nothing more than an uneasy coalition of caste and religious groups where the only passion is the politics of petty gain. It would do Kerala good and the Congress as well, if the incubus of the present rule was lifted.

An interesting feature of the present fluid situation in Kerala is the ambivalent attitude of the Muslim League, with its stronghold in Malabar and pockets of influence all over. It has been badly bruised by the manner in which the Congress used it to defeat the Communists and then brusquely disowned it. At the same time, it realises that the main challenge to it in Malabar comes not from the Congress so much as the Communists. It is difficult, therefore, to predict just now which way it will jump.

Capital View

Food and the Future

Romesh Thapar

IT keeps on raining. Delhi has never known it to be like this. What all this water means to the *kharif* crop in the north-west is too early to say. Food Minister Subramaniam is making optimistic noises about a 'good monsoon', because he has to (if only to demoralise the hoarders in the towns), but the truth is that everyone is hoping that the rains will abate. Home Minister Nanda, however, is not nearly so confident—or so it appears from his amusingly disguised interest (pugree and goggles *et al*) in the country-wide communist *satyagraha*.

The Communist Party under S A Dange's guidance, has certainly managed to seize the initiative on the agitated food front. Nanda has, of course, helped the process by the unnecessary countrywide arrests of those communists who are leading the *satyagraha*. He will have to release the arrested very soon, probably before these lines appear in print. But Dange's men have scored, because Nanda is panicky.

But What Next?

Dange doesn't quite know where to go from here. He has to do something or else his former comrades on the left will take over and push the agitation on to more angry levels. A complicated business made more difficult by Nanda's meddling (prompted, no doubt, by the unintelligent in the Central Intelligence Bureau)

Visiting the fair price shops in Delhi, one gets the impression that Subramaniam is right when he says that the worst of the food crisis is over. Prices continue steady, and the stocks are building up. But ask anyone visiting from adjoining Uttar Pradesh, or from small towns in various parts of the country, and you get a very different impression. Something is seriously wrong somewhere. The series of official 'briefings' some public and others private, have not made anybody the wiser.

The country has been told that August and September (and possibly October) will be difficult months, that towards the end of October the new harvest will be in to replenish stocks. Meanwhile, U S shipments of PL-480 foodgrains—about two ships a day is the target if the ports can rise to the occasion—are expected to keep the towns fed, the towns which hold about one-third of India's population.

This is about the most massive food aid operation yet carried out (consuming, according to U S Ambassador Chester Bowles, 15 to 20 per cent of his country's wheat production) and should make us sharply aware of the challenge we face on the food front.

No Passing Crisis This

As we become conscious of these statistics, the grim fact emerges that no matter how good a monsoon this year we are likely to be enveloped by foodgrains shortages during the next several years. Neglected agricultural production, the failure of industry to aid agriculture, apathy about building buffer stocks, a cynical free market in foodgrains and a mounting population have combined to puncture the claim that the present crisis is temporary.

The sooner this fact is realised the better. For, only then can we begin to plan our food supplies in terms of the tasks to be set under the Fourth and Fifth Five-Year Plans, and take the necessary, long-neglected organisational steps.

Some will recall the warnings of the Ford Foundation team which five years ago urged a production target of 110 million tons for the Third Five-Year Plan. Others will maintain that our lower targets *were* relevant, but there is no answer to poor monsoons. Only a few will have the courage to state that the G O I's failure to end the free market in foodgrains and to institute a system of effective rationing in the towns when it was clear that we were depending too heavily on food imports, is the major cause of our *immediate* predicament.

The failure was almost deliberate. The ruling party was opposed to carrying through a procurement policy, necessarily unpopular in the villages. It feared the repercussions at election time. Yet, without procurement there was no way of securing the supply of food.

And, quite clearly, procurement continues to be the crucial issue even now—that is, if we intend to reduce our unhealthy dependence on PL-480 shipments. To permit the free play of the market in a period of scarcity is to invite disaster. Subramaniam thinks he will be able to enter the wholesale trade in January. He must first get the Cabinet to approve the idea of a rather rigorous procurement programme—that is, if he wants to ensure success. If the Cabinet sees no other alternative, will the party bosses play ball? After all, election year is not far away—and procurement policies cannot be switched on and off.

Naturally, once procurement becomes a policy issue, all the opposition *satyagrahis* will scream against it! They will, without study or thought, declare that procurement is a weapon to defraud the peasant. This procurement can become if the GOI fails to fix a fair price, fails to provide the incentives which our agriculture badly needs, and fails to hold out a firm promise that impediments to increased production on the farm will rapidly be removed. Subramaniam will have to range over many inter-related problems, many of which his advisers, local and foreign, are in the habit of skirting.

Illiterate Talk

Nothing of these critical considerations finds reflection in the debate now joined on the subject of food. There is illiterate talk of shifting the emphasis from industry to agriculture. There is no proper consciousness of what the repercussion can be of our total reliance on PL-480 foodgrains. There is no attempt to educate a disturbed public, or to galvanise the ruling party to explain the challenge at village level, or to study the experience of other countries similarly placed.

Our 'thinking' elements are still reluctant to commit to a policy of rationing and State trading in foodgrains for fear that it will create a vast network of bureaucratic corruption. When will they stir themselves to say that the risk has to be taken? We have indulged in far too much intellectual hair-splitting for too long because it is a passport to respectability.

This is really the heart of the matter. When Prime Minister Shastri asks his officials 'to get to grips with vital issues', he should spell them out. If this is not done, the same generalised, meaningless directive is passed

down to the lower echelons who so interpret it as to render it ineffective. We know enough now to accept that no system of rationing or state trading can be without faults; nor, for that matter, are the coldly calculated operations of the free market free from faults!

Then, surely, one of the vital issues for officialdom is to evolve the best possible organisation to deal with the food crisis. Why doesn't Shastri tell them to do so? This would mark a realistic assessment of what has to be done and get the administration geared to an urgent task. In other words, the groping would end and confidence would revive that Shastri means business.

Meanwhile, Nanda should stop acting as if he were a novice at the Home Ministry. When there is a total absence of short-term and long-term measures to deal with the food crisis, there is little point in using police power against agitated mass organisations. He should be seeking ways of building a united effort at political level to cope with the crisis. Or is this too much hard work?

The future certainly looks forbidding, but the perspective could be transformed by courageous, coherent action which helps break the apathy of the ruling party, compels it to seize the initiative from groups whose political job it is to exploit this man-made paralysis. Will the leadership of the Congress Party move in this direction or will it prefer the way of all corrupted elites and surrender to the idea of being propped up with foreign aid?

That we have to ask such a question in this eighteenth year of freedom is a measure of the unfulfilled objectives of our struggle to stand on our own feet.

From the London End

Economic Crisis on Election Eve?

BRITAIN'S economic prospects, on the eve of the election, look far from rosy judging from the evidence of the latest Economic Review of the National Institute of Economic and Social Research, the latest trade figures and the latest statistics available on production and unemployment.

Many critics felt that there were political overtones in Maudling's last budget and that he was merely putting off the date when measures would have to be taken to cope with the inevitable balance of payments difficulties. The budget was a deliberate gamble with the election in view. It now begins to look as if an election eve economic crisis may confront the Government. The National Institute thinks that Britain is building up a payments deficit of no less than £500m this year and a further £350m deficit in 1965. It says quite categorically:

> "Towards the end of the year it looks very much as if the Government will be faced with the old dilemma. It must either take measures which deal directly with the balance of payments, or it must deflate and face the prospect of another period of stagnation."

Other unhappy pointers of the economic condition include the weakening of the pound which has reached a new low point for the year. The trade figures are depressing and the August unemployment figures do nothing to alter the view that the British economy is growing only slowly.

To deal with the National Institute Review first. It has now scaled down its estimate of the rate of expansion of the British economy from the 6 per cent of its winter report and 5½ per cent of its spring report to 4 per cent. Indeed, if one reads the report carefully it begins to look as if the Institute (who are by nature liberal rather than conservative) has called into question (by implication) the feasibility of even a 4 per cent rate of growth over the next few years. The long-term rise in the national potential output is estimated at less than 3½ per cent. The Institute finds no evidence that productivity has been rising sharply; indeed it is only growing at the rate it did in the early fifties but the labour supply is expected to rise at a slower rate.

Exports Disappoint

While Maudling takes comfort from the slowing down of industrial production and retail sales, this does not reassure the Institute. In the second half of the year, they expect national output to rise at an annual rate of 4 per cent. Exports may still be rising slowly, but imports are likely to go on increasing at least in line with the rise of national output.

With regard to production, the general view in Whitehall is that the economy continued to expand at a fair rate in the first six months of 1964, settling down to a slower pace in the second quarter. The Institute seems to share this view but, and this is significant, it puts the slower pace of expansion down to the disappointing performance of exports, and this is the crux of Britain's problem. Growth of sales overseas was expected to act as an expansionary force in the economy, but this has not happened.

Three months ago, the National Institute estimated an annual expansion of exports at between 7½ and 8 per cent. That estimate has now been cut back to only 5 per cent—this despite encouraging forecasts from industry.

The Institute now believes that its earlier assumption about the improved competitiveness of British exports must be toned down. "Our share in world trade in manufactures dropped quite sharply in the first half of this year, and the large influx of imports of manufactures, on a scale if anything exceeding that of 1960, also makes it seem less likely that British goods are really more competitive now than they were four years ago".

Imports into Britain have been rising faster, if anything, during this boom than in the last. What is even more significant is that the special reasons which led to an increase in imports during the previous boom—inadequate steel capacity and the effects of quota liberalisation—no longer apply. Imported machinery which took 12 per cent of the British machinery market seven years ago, was taking 20 per cent of it by the beginning of the year.

In the first half of 1964, Britain's share in world trade in manufactured goods dropped more sharply than at any time since the war. The U K's manufactured exports rose about 2 per cent (seasonally adjusted) while those of other competing countries rose by 8 per cent. This drop in exports has come at a time when the world situation for exports has been fairly buoyant. The incomes of developing countries have improved slightly because of higher prices of raw materials—but British exports have not benefited.

Australia's imports this year are 12 per cent above 1962 and those of New Zealand 30 per cent—but imports from Britain have risen only by 6 and 9 per cent, respectively.

The Institute has definitely come out with a gloomy forecast on the balance of payments. Indeed, it goes so far as to say that there is no foreseeable prospect of an automatic swing back into surplus. So far the deficit has been financed by a vigorous rise in overseas sterling area balances. But having risen £450m in the past three years, they seem likely to be drawn down next year. Britain can hardly go on very much longer without some form of official borrowing. "But", as the Report points out "loans have to be repaid". If the deficit does not seem to be temporary, it is time "to begin to take measures to remove it". The Institute, however, does not suggest what these measures should be.

The July trade figures, published shortly after the Institute's Review, do nothing to modify the gloom of the picture. While some people have attempted to draw some consolation from the fact that Britain's trade gap narrowed from £114m in June to £87m in July, the fact remains that the narrowing of the gap was entirely due to a fall in the import bill by £43m. But much of this fall was cancelled out by a further drop in the export total. Exports and re-exports declined another £16m and exports are now £39m below the May level.

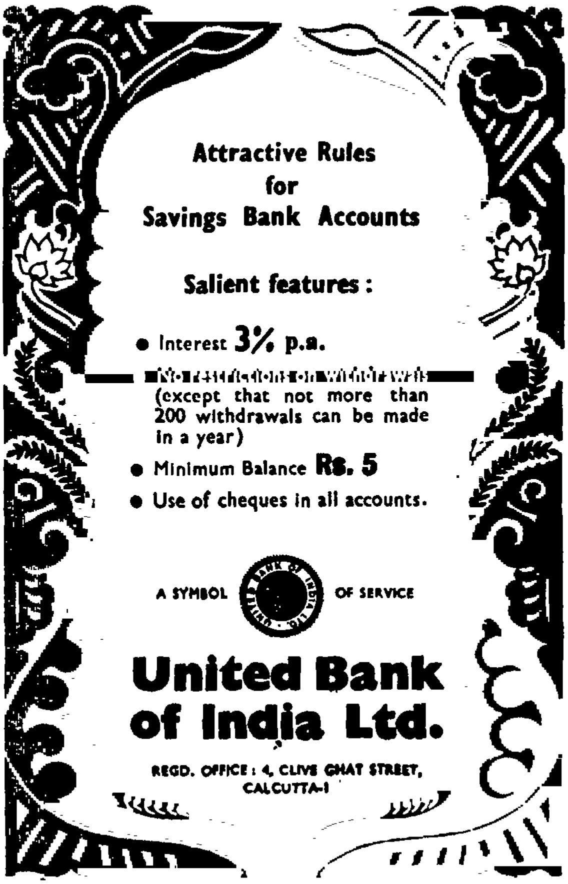
Britain Falling Behind

What lies at the bottom of Britain's dismal export performance? British exports have remained stagnant for eight months and, according to the Board of Trade, may even have been falling since April. At the same time, in the last twelve months, German, American and Japanese exports have grown around 20 per cent.

Areawise, Britain has been losing her position in the Sterling Area. This process has been going on since the early fifties. It is in the Commonwealth that the export effort is the weakest. British exports are not doing well in America or Canada either. The only successes have been in Europe where exports have grown by 10 per cent in the last twelve months—but exporters are beginning to get depressed as profit margins on sales to Europe are very small.

When one analyses the breakdown of British exports by categories of goods, one begins to find a clue to the disappointing export performance. While motors, chemicals and steel are holding their own, it is the British engineering industry that is the least competitive—usually exports of machinery are the most important items, but in the last six months, they have been static. Over the last year they have grown by only 1 per cent. On the other hand, machinery imports have grown by 30 per cent! Between 1955-1963 imports of such items as packaging and textile equipment, printing machinery, electric switchgear, radar and scientific instruments, office machines and computers, have grown at a compound rate of over 10 per cent a year. Textiles are another weak sector. The moral is easy to see for those who do not deliberately shut their eyes. As the *Financial Times* points out, there is every sign that the U K has specialized in the wrong products—ones that are less technologically advanced, easier to imitate and growing slower in world trade.

In all these circumstances, surely it would be wiser for the U K to move out of these slow-growing industries and leave the field clear for the developing countries to produce such goods and thereby increase their own export earnings and so be in a position to import more from the U K? Instead of talking about market disruption caused by cheap textiles from Asia, and setting quota limitations on such imports, the British would surely be doing themselves more good by not protecting these slow growing industries, and concentrating instead on producing the kind of goods they are now forced to import, to the detriment of their balance of payments. For, an analysis of British trade figures reveal only too clearly that the surge in British imports has been concentrated in the highly sophisticated machinery.



Mississippi: 'A Closed Society'

Amrita Rangasami

There may be racial riots in New York and New Jersey, but there is calm, down in Mississippi.

There is quiet on the green sidewalks and the beautiful mimosa-tree-lined streets of Jackson, the State Capital.

An unreal city, totally dedicated to maintaining the proposition that all men are not created equal, it keeps the two worlds, white and black, distinct and separate. Its local newspaper, the Clarion-ledger, *even puts out a separate coloured edition.*

THE State Government and the Civil Rights organisations are as much a part of this unreal world.

The State legislature, unwilling to accept the changed times, is erecting a barricade of new laws—to circumvent the Civil Rights Act, to deal with the invasion from the North, and to perpetuate the old order of white supremacy.

The different civil rights groups, which have come together in a little clutter of an office at 1017 Lynch Street (appropriate quarters!) under the name of the Council of Federated Organisations, are setting up a political party for Negroes—with mock registration, mock candidates and mock elections. This party, known as the Freedom Democratic party, will challenge the State delegation at the Democratic Convention at Atlantic City.

Anti-Leaflet Law

The State Government, seeking to curb all means of peaceful political protest open to Negroes, has recently passed measures prohibiting picketing and distribution of leaflets. These acts carry a penalty of $500 fine or six months in jail or both.

The anti-leaflet law forbids printing of handbills which call for boycott of shops or traders. The economic boycott has been one of the most successful weapons used by Negroes in both the North and the South. Amongst other things, it has been used to force employers to provide jobs in shops which depend largely on Negro trade. And it is through hundreds of thousands of handbills that the call for boycott has usually been issued.

The Civil Rights organisations point out that the right to distribute leaflets has been upheld by the Supreme Court. In a report on the new laws they explain, "In a State where Negroes have almost no access to influence through radio, television or the newspapers, handbills are an important form of communication and a valuable tool in civil rights work".

Two bills, presently being ground in the legislative mills, prepare to frustrate eventual desegregation of public schools which has been ordered by the courts and is enforced by the new act. One seeks to segregate the sexes and the other provides state support for private schools. The first bill has been approved by the House Education Committee.

Frustrating Civil Rights Act

According to the *Jackson Clarion-Ledger*, "Many law makers say privately, they feel there will be less danger from integration, if white girls were not forced to go to school with Negro boys". Even if equality should come, Southern ladies are to be protected from it. The second bill is to save white boys from having to attend the compulsorily desegregated public schools.

The Civil Rights Act passed by the Federal Government makes the collection of a poll tax from voters illegal. The Mississippi State legislature, desiring to circumvent the act, has passed a law which declares that voters in State elections while they will not have to pay a poll tax, must carry a receipt to the polls which states "no poll tax paid". Negroes understand that application for such receipts will not always be met. However, the U S District Court has passed a temporary restricting order on election commissioners prohibiting application of the bill.

Other bills authorizing recruitment of deputy sheriffs, strengthening of highways patrols, restricting freedom of individuals and establishing curfews are being hurriedly passed.

In order to prevent extension of Federal authority through welfare schemes, the House voted on April 8 to end urban renewal except in four cities. As the *Jackson Clarion-Ledger* pointed out, "House supporters of the measure said that Federal Government could use the programme to force racial integration".

This refusal of Federal aid comes from a State which has been described by economists as the "poorest in the Union" and as an "area which is on a par with many of the underdeveloped areas in Asia".

Attempts are also being made to curb academic freedom. Tougaloo College, a predominantly Negro college, which has been supporting civil rights activities, has been threatened with loss of accreditation, and is presently under Senate investigation. Prof Silver, of Mississippi University, who delivered a lecture in which he described Mississippi as "a closed society, trying to maintain a way of life similar to that before the Civil War", has also come under Senate investigation.

As a second line of defence, the legislature has made ready another set of bills prohibiting picketing, passive resistance and demanding the strange receipts for non-payment of poll tax. These are to be rushed through if the first lot are declared unconstitutional.

And the highway patrols and the police and the community have united in their efforts to intimidate white volunteers who have come down to work for the Summer.

Beatings and Prison Terms

The murder of three civil rights workers in Philadelphia has focussed the attention of the entire country upon that little town. But everywhere in Mississippi, civil rights workers accept severe beatings, prison terms and other humiliations as normal hazards of their work. White students pleading with Negroes to register to vote are jeered at as "Nigger lovers" by passers by.

Then there are the tests administered by the registrars. Mississippi State uses special registration forms which demand amongst other things, a written test where the examinee has to write a "reasonable interpretation of the given section of the State constitution". The registrar alone is arbiter of the reasonableness of answers. (It is said that a Harvard Law graduate failed this one.)

And this is why the Freedom Democratic party uses its own registration forms—ones similar to those used in many northern States. "Freedom regis-

tration" has led to "Freedom candidates" and "Freedom elections". Aaron Henry, the local President of the National Association for Advancement of Coloured People ran for lieutenant governor last November. A Negro, he polled 83,000 votes.

These mock elections are helping to disprove the contention that the Negro is apathetic, they point out that discriminatory practices alone are keeping him out of the political picture; they have dramatised the point that Negroes, if registered as voters (at present only 7 per cent of the Negro population are registered) will help to change the political set up. The 83,000 votes which Aaron Henry polled, could have made a significant bloc vote for the official losing candidate who needed 70,000 votes to win.

Power of Negro Vote

The Freedom Democratic party feels that these arguments may reinforce their claim for recognition. And it hopes to be able to exploit the differences between the national and State Democratic parties.

The State party, with its record of failure to endorse the Kennedy-Johnson ticket (the national choice in the last Presidential election), of voting against cloture of the filibuster, of voting against the civil rights act, is obviously not one on whom President Johnson can count upon for support. It is reported that the Mississippi delegation, in order to win support in its own State and yet keep a toehold in the national party, has pledged a third of their delegate votes to Johnson, retaining a slate of uncommitted votes, in order to wrest concessions from Johnson. Senator Goldwater's candidacy, they are aware, has made Johnson fearful of losing every single vote from Mississippi.

But political observers say that Lyndon Johnson has a hold over the white vote just as he has a hold over the Negro vote. While the latter has to support him if only because of his opponent, the former has to face the prospect of resigning from all political offices like District Attorney, Sheriff and others, if they have to make way for a Republican administration. The State party has to work with the national party if they have to remain in power.

The old days when they could continue in their segregationist ways and yet remain within the party fold are now gone. And so the challenge at Atlantic City is awaited by white supremacists not without vexation, and by the Negroes with increasing hope. The showdown threatens, meanwhile, their *strange dialogue continues in Mississippi, under the surveillance of the agents of the F B I.*

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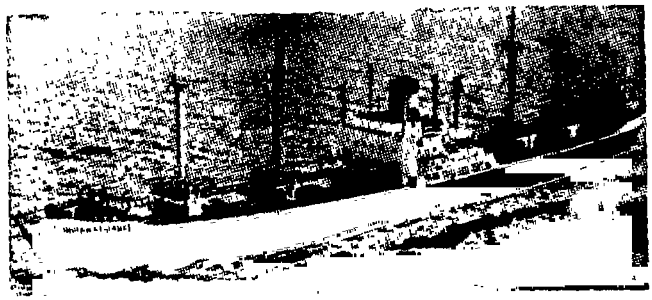
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Caste and the Indian Army

M S A Rao

In Independent India caste has been gaining influence in many fields of social activity. The part it has played in representative political institutions is now widely recognized.

An attempt is made here to show how caste is extending its influence to the Indian Army organization.

This will be discussed in the particular context of a demand made by a caste association, the All-India Yadav Maha Sabha for the formation of a separate Ahir or Yadav regiment in the Army. The Sabha is at present agitating and making representations to the Government of India in order to realize its aim.

I shall describe the origin and development of the Sabha before considering its demand for a Yadav regiment.

[I thank Professor M N Srinivas for his comments and criticisms.]

I

THE term 'Yadavas', literally meaning decendants of the Yadu dynasty, is used as a blanket one to include several localized but allied castes found all over India. The first attempt to trace the 'history' of the Yadavas was made in the last quarter of the 19th century by Vithal Krishnaji Khedkar of Ratnagiri District, in his work on the "Yadavas of Devagiri". His son Dr Raghunath Vithal Khedkar, a distinguished surgeon of Bombay revised and enlarged his father's work in 1924, but it was not until 1959 that it was published under the title, "The Divine Heritage of the Yadavas". The authors of this book include among Yadavas four different categories of castes and ruling dynasties: In the first category are included all ruling dynasties mentioned as Yadavas in the Hindu Scriptures. It may be noted that Krishna, the God incarnate, belonged to the Yadu dynasty. Secondly, all ruling families claiming themselves to be Yadavas such as the Rashtra-Kutas, Hoysalas and Wodeyars constitute another category. Ahirs and Gopas who are said to have been admitted to the Yadava fold at some period in 'history' form the third category. The last category includes those royal families who were once included among the Yadavas but later seceded from them for different reasons. Jats, Marathas, Bhatias, Prabhus, the ruling houses of Kolhapur, Baroda, Bharatpur, Alwar and Bikaner are given as examples of this category. Thus one may discern in the extensive coverage of castes coming under the fold of Yadavas, two related principles of integration: common descent from the mythical Yadu dynasty and similarity of occupation either as cowherds or as sellers of milk and its products, or both.

Yadavas thus comprise different allied castes of several denominations, such as Ahirs in Punjab, Delhi, U P, Bihar and Gujarat, Thetwars and Raots in M P, Gowlis or Gopals in Maharashtra, Idaiyans in Tamilnad, Gollas in Andhra and Mysore, and Gopas in Bengal. Among other denominations Gwal, Dhanpal, Dhangar, Nanda and Dhinderd may be noted. Each of these castes is further divided into several endogamous sub-castes. Ahirs, for instance, are divided into Yaduvansis, Nandavamsis and Gwalvamsis. Gowlis of Maharashtra are divided into Dabholis and Cheolis. Thus different localized castes and sub-castes speaking different languages are included among Yadavas.

Dominant Position

Diversity among Yadavas obtains not only on the basis of linguistic and cultural differences but also stems from differences in economic and political status. While in some areas such as Punjab, Delhi, U P, Maharashtra and Bihar, Yadavas are owner-cultivators, in some others they are only cowherds and milk-sellers. Again, in some regions they are large estate holders but elsewhere they are small peasants. Except in a few States (e g Punjab), they are generally included under the Backward Classes. Similarly in some parts of India Yadavas had risen to political dominance. For instance, Ahirs built a Kingdom in Rewari which continued upto the middle of the 19th century A D. The Ahir rulers rendered military help to the Moghul Emperors of Delhi and widened their area of political influence through the grants of Districts they obtained in return to their military services. The Marathas overthrew the Moghuls in Delhi whereupon the Ahir rulers of Rewari served the former and obtained a big grant of twelve paraganas in 1758 A D. Whereas the rulers of Rewari thus served the different overlords at Delhi and expanded their area of political control, they were hostile to the British. Tejram, the then ruler of Rewari sided with the Marathas in their battle against the British. When the latter won the battle, the size of Tejram's kingdom was reduced to eighty-seven villages. Later, Rao Tula Ram mutinied against the British and lost even this small principality.

Thus the Ahirs of Rewari (Punjab) provide an instance where Yadavas had risen to military and political power in pre-British India. It should be noted that such a strategic position of traditional dominance was of great importance to the Yadavas to make advances in different fields of social activity both under British rule as well as in Independent India.

II

During British rule economic and educational opportunities were available to the people where considerations of caste did not always loom large. Yadavas like other castes sought to exploit these opportunities. One of the pioneer organizers of the Yadavas, Vithal Krishnaji Khedkar, who hailed from a family with a tradition of military service started life as a teacher. He was a social reformer and one of the founders of Prarthana Samaj in Bombay. His wife, once again the daughter of a sardar, was the chief-medical officer at Bhavnagar. Raghunath Vithal Khedkar, son of V K Khedkar qualified himself in medicine and surgery from Edinburgh and Glasgow, and was practising medicine in New Castle-on-Tyne for some years. At the outbreak of the World War I, he returned to India and served in his profession with distinction at Bombay, Kolhapur and Nepal.

Dr Khedkar was not only a noted physician but also a leader of Backward Classes. He headed a deputation of the Backward Classes to represent their case for political rights before the Joint Select Committee of Parliament in London in 1920. He also presided over the Non-Brahmin Conference held at Sholapur. He was the president of the Poona Board of the Hindu Missionary Society which admitted followers of other creeds into the Hindu fold.

The foregoing description of Dr Khedkar's activities is highly relevant to our discussion because he was one of the founder members of the All-India Yadav Maha Sabha which was inaugurated in 1924 at Allahabad.

While Dr Khedkar brought to bear

on the Yadava Caste Movement his modern organizational skills, Duleep Singh of Rewari later known as Swami Krishnandji, further popularized the term Yadava and launched a vigorous campaign for sinking regional differences in denominations. Thus there was a calculated effort to bring together allied castes of different names found all over India under the single name of Yadavas. Among others who were associated with the Sabha, mention should be made of a reputed engineer of Bombay, who was connected with the Sabha for about sixteen years in various capacities until 1944 when he severed his connections with it due to certain differences of opinion. He then founded another association named Bharatiya Yadav Sangh which is now functioning effectively with its headquarters at Bombay.

Sabha's Activities

The Sabha has gained in strength and popularity during its life of forty years. Before the formation of the Sabha there were in existence many caste associations at the regional level. For instance, in U P there was the Ahir Kshatriya Mahasabha. The Sabha affiliated such regional caste associations and further encouraged the formation of new local and regional bodies.

The Sabha, in its earlier stages of development introduced certain reforms of caste customs. It advocated inter marriage between hitherto separate endogamous units. Although this has remained still a wish, the sub caste members do not, however, now object to such marriages. The Sabha banned child marriages and the practice of dowry, and recommended shortening of the duration of the marriage ceremony from three days to one day. It launched a vigorous drive among its members for wearing of sacred thread, and this was an occasion of intense conflict especially between Bhoomihars and Yadavas in Bihar. The Sabha also asked its members to abstain from liquor and meat. Besides these reformative measures pertaining to Yadavas, the Sabha took a keen interest in the removal of untouchability launched by Mahatma Gandhi. It played (and is playing) a significant part in the Backward Classes Movement.

The Sabha [1] propagates its aims and objectives by holding annual conferences in several parts of India, and by running a monthly journal called *Yadav* which is being published from Varanasi since forty years.

While the activities of the Sabha are thus more general and extensive, those of the regional or local Yadava associations are more specific and intensive. For instance, the Ahirs of Rewari started a high school in 1925, and another in 1935. The school later developed into a college. At present there are about twelve schools and colleges, and about six hostels for the students of the caste in the Rewari region alone. The Ahir leaders of Rewari are now making attempts to establish Rao Tularam Memorial College in Delhi. Besides providing educational facilities in terms of schools and hostels, the regional Yadava associations have also established charity trusts and scholarship funds. Mention may be made of Alakhram Rawat Scholarship Fund which was founded in Bengal twenty-seven years ago, and Maharashtriya Yadav Charity Trust established in Bombay eighteen years back. Thus an important activity of the regional and local Yadava associations seems to be that of providing educational facilities for the students of the caste.The Sabha has not, however, contested the General Elections in Independent India acting either as a political body or as an electoral machine. But this does not mean that the Yadava caste as such has not played any part in influencing the voting behaviour of its members. In U P and Bihar where Ahirs are in larger numbers, many Ahir candidates have returned as M L As. The Bihar State Assembly has about thirty-three Ahir M L As. But it may be noted that the activity of the Sabha in the realm of representative political institutions is not one of direct participation.

With certain events that happened during the Chinese aggression in 1962, there has been a dramatic change in the character of the Sabha's activities. The Chinese attacked the Indian post at Rejangla in Ladakh on November 18, 1962. The 13th Kumaon Company which fought the Chinese at this post wholly consisted of Ahirs. One hundred and fourteen soldiers laid down their lives in an attempt to defend the country gallantly against the overwhelmingly large force of the Chinese. This event evoked allround sympathy and admiration in the press, but for Ahirs it was more personal, and it triggered off an agitation for the formation of a separate Yadav or Ahir regiment in the Indian Army.

III

Yadavas, in some parts of India and especially in Punjab had a tradition of military service. They had all along cherished a desire to enlist themselves as a 'martial race' in the British Indian Army. As the British had an unhappy experience with Rao Tularam, who revolted against them in the Indian Sepoy Mutiny, they were against recruiting Ahirs in their Army. But by 1904, the British changed their attitude towards Ahirs and started recruiting them. However, Ahirs were recruited to the artillery and not to infantry or cavalry, and it was not until World War I that they were recruited as soldiers in the infantry. Rao Balbir Singh, the second descendant of Rao Tularam acted as a recruiting agent of the British Government, and since then many Ahirs have joined the Army in increasing numbers. There are a few military villages in the Punjab where at least one member of each of the Ahir households was or is in the Army. Mention should be made of an Ahir village, Kosli, in Rohtak district where there are as many as about seventy senior commissioned officers and about one hundred and fifty junior commissioned officers. Military pensioners number one hundred, a few of them being recipients of different military honours during British rule.

Case for a Yadava Regiment

Thus Ahirs have built up a tradition of military service in the British Indian Army over the past sixty years, and the bravery that the Ahir soldiers exhibited in Rejangla has further confirmed their military virtues. They fought not only for the honour of the country but also for the prestige of their caste. Hence it is claimed that it is only fair that the Ahirs or Yadavas should have a separate regiment in the Army. Let me formulate their argument behind the demand more fully.

Firstly, Yadavas have had a military tradition in some parts of pre-British India where they had risen to military and political power. Therefore, they claim themselves to be one of the 'martial races'. Secondly, the Ahirs of Rewari fought against the British in the Sepoy Mutiny as a result of which the former were not recruited in the Army till 1904. Meanwhile, other mar-

[1] Another parallel all-India association of the Yadavas, the Indian Yadav Association (Bharatiya Yadav Sangh) also holds its annual conferences separately and publishes its own monthly journal called *Yadavesh* from Bombay. I am more concerned in the present article with the Sabha because of the active part it is playing in the agitation for the formation of a separate Yadav regiment.

tial castes such as Jats and Rajputs were not only recruited in greater numbers to the Army but separate caste regiments were established for them. These caste regiments were well-established by the time the British revised their policy in favour of recruiting Ahirs to the Infantry. Thirdly, after India attained her Independence, Ahirs entertained a hope that at least the Indian Government would undo the injustice done by the British to them. The attitude that was expected of the Congress Government was similar to the one hoped for by the political sufferers during the Independence struggle. Fourthly, caste regiments already exist in the Army, and the demand for the formation of an Ahir or Yadav regiment is only based on established precedents and policies. Ahir soldiers now are not only found in larger numbers in the Indian Army but they are also to be found in the higher ranks. Lastly, the present Kumaon regiment already consists of a certain proportion of Ahir soldiers. Even though Ahirs fight bravely the name goes to Kumaon and not to their caste of which they are proud. If, on the other hand, they have a separate regiment, it gives them the best opportunity to exhibit their martial talents and to fight in the honour of both the country as well as the caste and the Yadu dynasty to which they belong. It is remarked: "Caste loyalty evokes greater emotional appeal than national loyalty".

Memorandum to Prime Minister

Soon after the occurrence of the Rejangla incident in November 1962, the Sabha got active and organised a conference in January 1963 in Delhi and resolved to press the demand for a Yadav regiment in the Army. A delegation one hundred strong met the Defence Minister and presented the case for favourable consideration by the Government. However, the reply of the Defence Minister was not in favour of the demand of the Sabha. But, undeterred by this reply, the Sabha continued its agitation. In November 1963, it organised a conference in Hyderpur an Ahir village near Delhi. Again in December another conference, on a larger scale, was held in Suredha. The Suredha conference was not only well attended but many Yadav M Ps took part in it. One of the highlights of this conference was the spirited speech made by a Golla M P from Mysore. People showed great enthusiasm and urged the Sabha to make fresh efforts to press their demands. One of the prominent organisers and spokesmen of the Sabha and two Yadav M Ps met the Prime Minister and submitted a memorandum to him.

Besides such attempts to persuade the Government through democratic means, the Sabha is further seeking the support of Yadavs all over the country. It is organising regional conferences as a step towards holding a larger all-India conference. Thus the Sabha has launched a vigorous campaign on two fronts; it is persuading the Government through negotiations on the one hand, and is seeking the support of its caste members and of the general public on the other.

IV

The foregoing account of the origin and development of the Sabha and its attempts to press the demand for the formation of a Yadav regiment in the Army brings to the fore certain broad features of the dynamics of caste associations.

The traditional political organisation in pre-British India was characterised, among others, by the rise and fall of several political powers all over the country. It was common for any caste group which wielded political power to raise its social status in the *varna* hierarchy. Since kingship or chieftainship and military occupations were associated traditionally with the Kshatriya *varna*, it was only imperative that they adopted the Kshatriya model of Sanskritisation. Further, 'royal' families of the newly rising political and military powers claimed descent from the established mythical dynasties such as the Sun and the Moon dynasties. The Bhats and Carans or Jogis, the traditional caste of geneologists and bards were only too glad to praise the glory of the descent of the rulers they served, and to accord them a high rank among the notable Kshatriya dynasties. Thus, *varna* and mythological Kshatriya dynasties provided the necessary framework for those castes which attained political power to raise their social status.

Yadavas claimed descent from Krishna, the God who belonged to the Yadu dynasty. They also found another vertex of integration in the same Krishna mythology, viz, Krishna's association with cows and cowherds. Those castes that tended or raised cattle and sold milk and milk products were also integrated in the fold of Yadavas. In this attempt Yadavas also felt the need to reform some of their caste customs in order to achieve a higher ritual status and to promote territorially a wider level of integration. Thus, they began to wear sacred threads to affirm their Kshatriya status. Yadavas were greatly influenced by the Arya Samaj Movement in many places. They advocated marriages between different sub-castes within the castes coming under the fold of Yadavas. Although in practice this reform did not lead to many inter-sub-caste marriages, it helped, to some extent, to reduce the exclusiveness of sub-castes and castes of different denominations.

Such an ideological framework provided Yadavas the necessary basis for organisational activities at the local, regional and national levels. Whereas the ideological argument was formulated by the castemen well versed in the Hindu sacred texts, the skills of organisation of the Yadava caste movement were provided by the intellectual and professional elites who grew in cities and towns during British rule. These elites not only sponsored the cause of the movement by identifying their interests with it but also brought to bear their modern organisational skills which they had acquired under Westernised urban environment. For instance, they made use of mass communication media to reach the wider public and employed new techniques of forming an association with a constitution. They were also convinced that the progress of their caste, as that of any other, lay in educating their children under the Western system of education. Hence charity trusts and scholarship funds were organised again on modern lines.

Financial Support

The proliferation of activities of the Sabha and of the local Yadava caste associations required financial resources. Here the part played by the business elite of the caste is significant. With the growth of employment opportunities in towns and cities under British rule, many Yadavas emigrated from villages. Those families whose traditional status was high (such as the royal families or Zamindars) were better able to develop contacts with the British bureaucracy. Men of such families took government contracts in the Railways and elsewhere. Besides these men of influence, other enterprising Yadavas also entered trade and commerce. The business elite which thus grew in cities and towns, patronised the programmes of their caste associations. They gave liberal donations to build schools, colleges, hostels, hospitals and temples, to scholarship funds and towards the expenses of running caste journals and of holding conferences and meetings. For instance, an Ahir business magnate in Delhi

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gave as much as Rs 50,000 to the building fund of a High School in Rewari. Another Rai Sahib of Rewari financed the publication of caste journals for many years. He had also given a free land grant to the school. Similarly a leading businessman of Bombay has given Rs 21,000 for the Maharashtriya Yadav Charity Trust. Thus the business elite rendered, to a certain extent, financial help for the implementation of the programmes of the Yadava caste associations. But it must be noted that the business elite among the Yadavas is not relatively developed.

During British rule there were only a few men of importance among Yadavas in politics and administration. In Independent India, however, there has come into existence a political elite among them.

Sources of Power

Yadavas enjoy numerical preponderance in many parts of U P and Bihar and the State Assemblies there consist of a sizeable group of Yadava M L As. There is an Ahir Minister in the Union, and about twelve Yadava M Ps from U P, Bihar, Andhra, Mysore, Maharashtra, Delhi and Punjab. Thus the emergence of a political elite among the Yadavas is an event of crucial importance in the life of the Caste Movement. The Yadava politicians not only wield influence and power to sponsor the activities of the caste association, but also bring the Yadavas in the villages closer to the Movement. They form the legitimate contactmen with their respective constituencies which presumably consist of a significant proportion of Yadavas.

Besides this advantage, the caste politicians develop a net-work of relations both within the Ministry and Government bureaucracy as well as outside them. They are in a position to make others, who need not be their castemen, obliged to them in several ways. These ties form the bases to exert pressures and pulls. For instance, the Yadava politicians may approach a non-Yadava Deputy Minister in the centre asking for co-operation or support on the issue of Yadav regiment. The basis of seeking such a support is that the Deputy Minister won the election because of the active support of Yadavas who formed a single major caste group in the constituency from which the former contested. Now in case the Deputy Minister refuses to co-operate with the Yadavas on their issue, it might be difficult for the former to get the co-operation of the latter in the next General Elections. Thus it is clear that the part played by caste politicians in fighting an issue of their caste association is vital.

The different kinds of elites among Yadavas—and these are not mutually exclusive—have interacted with one another at different levels of participation in the life of the Yadava Caste Movement. Another type of elite which is of particular importance in the context of the agitation of the Sabha for the formation of an Yadav regiment in the Army is the military one. Over a period of sixty years Yadavas have enrolled themselves in the Army, as noted earlier, in increasing numbers, and many of them have also risen to senior officers' ranks. There are also retired military officers and soldiers as well. While the latter have settled down in their villages and towns, the former maintain regular contacts with their native villages. Although the Ahir military officers are prohibited from taking an active part in the Yadava regiment agitation, their informal contacts with the other types of elite prove to be of great value. However, the situation in respect of the retired Yadava soldiers and military officers is different for, they can take a more active part. They are men of knowledge about the details of military organisation and the past occasions on which Yadava soldiers have exhibited courage and discipline. Some of them also provide living examples of these instances, the narration of which evokes emotional appeal and carries convictions to their audience. If the caste politicians take an active part in leading delegations and organising other aspects of the agitation, the military elites provide the necessary direction with their knowledge of the army organisation. Thus there exists a division of labour among the different types of elites—the intellectual and professional, business, political and military. They are bound by common interests and serve in different capacities to achieve their desired goal.

Caste Claiming New Ground

The agitation of the Sabha for the formation of an Ahir regiment in the Army shows how caste in Independent India is claiming new grounds. However, this does not mean that considerations of caste have come up for the first time now in the Indian Army. Caste was very much part of its organisation when India inherited it from the British, and this position has been since then maintained. Although the British organised and disciplined the Army on lines different from the traditional, in their attempt to recruit Indians to their Army, they looked for martial talents that were in evidence among different sections of Indian population. They identified and designated certain caste and religious groups as 'martial races', and gave preference to them over others in recruitment to the Army. Among these 'martial races' were Rajputs, Jats, Marathas, Sikhs, Dogras, Gurkhas and Mahars. Caste considerations were not only evident in the formation of certain regiments in the Army but were seen in a few other aspects of military organisation. For instance, barbers, washermen and sweepers in the military were usually recruited from their respective castes of Nais, Dhobis and Bhangis; and some labour corps were raised in the military, which mostly, if not wholly, consisted of Harijans.

Thus the British not only encouraged caste considerations but fostered the idea of 'martial races' in India, and incorporated it in the organisation of the British Indian Army which Independent India inherited. The question whether 'martial races' existed in the past is a historical one and therefore beyond my competence to answer. But the fact of the matter is that the military, as any other aspect of social structure, reflects the dominant features of social stratification, just as it influences the social structure by determining the distribution of power and the ability to use it.

Housing and Slum Clearance

THE Union Ministry of Works and Housing has asked the State Governments to conduct sample surveys to assess the impact of the low and middle income group housing scheme and the slum clearance programme.

It has been found necessary to collect the data before proposals for Fourth Plan housing programme are finalised. The surveys are expected to give a clear picture of the implementation of housing programmes in different States.

The surveys, among other things, will cover the number of houses actually occupied by owners and the number of houses sublet to other tenants.

The survey of the slum clearance programme will indicate the number of pucca, kachcha and uninhabitable or dilapidated houses; and the total number of house-holds in different income groups occupying one room, two rooms, three rooms and more than three rooms.



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The Sterilisation Debate

Moonshine on Vasectomy

V Raja Rao

It has been claimed by Government spokesmen that if 2.5 million vasectomy operations are performed annually for ten years, the birth rate in India can be reduced by 50 per cent.

An attempt is made here to show, through an examination of the few reliable estimates that exist of the impact of sterilisation, that this is an absurdly exaggerated claim.

THE three-day (July 17 to 19, 1964) conference of family planning leaders held in New Delhi recommended that top priority should be given to the sterilisation programme. In this conference the Director of Family Planning, Government of India, made the claim that if 2.5 million vasectomy operations are performed annually for 10 years, the birth rate in India would decline by 50 per cent. This observation is, however, not in accordance with recent findings on the subject.[1]

Unreal Assumptions

Some of the studies made in India to assess the effect of sterilisation on the birth rate are based on unrealistic assumptions. Principal among these is the assumption of stationary population. Any study which aims at being of use in policy formulation should be based on realistic assumptions. In the field of demography today there are enough techniques through the use of which the research worker can keep himself very close to reality. A case in point is the article "Sterilisation as a Population Control Device: Its Economics" by S N Agarwala in *The Economic Weekly* of July 4, 1964.

The scale on which sterilisation operations have to be conducted is an important point to be borne in mind in India. It is well known that Japan reduced her birth rate to half in a period of 10 years through surgical abortions (which yielded a 12 point decline) and contraceptives (which yielded a 5 point decline). In India, however, abortion will not be accepted. The other 'crash' method available is vasectomy[2] and, as was evident from the discussion at the Delhi conference, it finds favour with our family planning leaders and planners. If sterilisation is to be the major solution for our population problem, the following questions have to be answered:

(1) After how many living children or live births should men undergo vasectomy?

(2) What is the target of reduction in the birth rate?

(3) What is the number of vasectomy operations which will have to be performed every year or periodically, to cope with fresh entrants becoming eligible for vasectomy and to clear the back-log?

(4) How much money do we have to spend?

It is not known whether sterilisation would be accepted by a majority of the Indian people. Social, psychological and cultural resistance may work against a nation-wide programme. Some of the studies made, however, do provide partial information on motivation.[3]

Mention may be made here of a study made by the Gokhale Institute of Politics and Economics.[1(a)] The data was collected during 1954-55 and relates to 7,592 rural married males. The Table gives the reduction in the birth rate from vasectomy operations under different assumptions, as estimated by Mrs Dandekar.

How Many Operations?

According to Mrs Dandekar's estimate, in order to halve the present birth-rate in 10 years, vasectomy will have to be performed on all married males who have two living children by the end of the 10-year period. We have to clear not only the back-log in this period but also take care of fresh entrants. The minimum of sterilisation operations necessary per annum would be 6 to 7 million.

Investigations made by R A Gopalaswamy suggest that 2.2 million (5 per 1,000 persons) sterilisation operations per annum would depress the birth rate by 12 points in a period of 10 years taking the population in 1961 as 438 million.[1(b)] If we take the birth rate to be 41.7, 2.2 million operations would lower it by 28.8 per cent. On this basis, 2.5 million operations per annum would produce a decline of about 30 per cent. Hence, according to neither the study made by the Gokhale Institute nor by R A Gopalaswamy will 2.5 million sterilisations bring down the birth rate by half in 10 years.

According to the 1961 Census, there are roughly 90 million married couples in the reproductive age.[4] Of these, 34.5 million belong to the most fertile reproductive age, 20-30. If 25 million of these are de-productivised, the birth-rate could come down by round about 40 per cent. But during the next 10-year period the population would not remain stationary and there would be an increase of about 20 million couples in the reproductive ages alone. So, while 25 million are removed, 20 million will be added. The net result is a de-reproductivisation of only 5 million couples. Therefore, the decline in the birth rate will be minor.

S N Agarwala finds that 2.8 million sterilisation operations per annum will produce a 5.5 point decline in the birth rate in ten years. This appears to be a realistic estimate. Taking it along with the other estimates mentioned above, it is obvious that the results that may be expected from sterilisation are unduly exaggerated.

II

Studies made by the Gokhale Institute showed that if all males above the age of 47 years are exempted from vasectomy operations and if operations are performed only on males with 2 3 or 4 living children, the percentage saving in the number of operations would be 32.0, 38.4 or 44.5 respectively.[1(a)]

Table: Impact of Vasectomy

Eligibility at	Fresh Entrants (millions)	Bagk-log (millions)	Per Cent Reduction in Birth Rate
2 living children	2.4	44.8	47.5
3 living children	2.1	32.0	29.7
4 living children	1.7	21.9	18.2

Note: The married male population in India is estimated to be 94.6 million in 1959.

Source: See Note 1(a).

Numerous estimates have been made of the cost of sterilisation. But except Agarwala nobody in India has made an attempt so far to compare the cost of vasectomy and contraceptives. *Agarwala's formula for estimating the requirements* of condom for reducing one pregnancy is ingenious. He has made it possible to make a cost-benefit analysis of various contraceptive techniques. One may differ with his figures, specially his figure of coital frequency of six per month, but one must acknowledge his valuable contribution. His findings are that the cost of reducing one pregnancy through sterilisation is Rs 20 and through condoms Rs 16.

The Ministry of Health appears to be placing too much faith on vasectomy operations for reducing the birth rate. Further, the social and psychological consequences of a nation of vasectomised males if the birth rate is to be reduced by one half in 10 years, almost 80 per cent males in the reproductive ages will have to be vasectomised are not *fully appreciated*. And where are the doctors to perform the millions of operations?

The projected mass sterilisation programme should be looked at from these practical angles. V K R V Rao has suggested, rightly, that "if sterilisation was considered to be the last resort of family planning, the Health Ministry should propose a full dressed debate on the subject and its implications in Parliament, State legislatures, Panchayats and other such democratic bodies". Such a debate is essential to evolve a suitable mass sterilisation programme and to assess the feasibility of implementing it in the Fourth Plan period.

Notes

[1] (a) Dandekar, K: "Sterilisation Programme: Its Size and Effect on Birth Rate", *Artha Vijnana*, Vol I, 1959, pp 220-231.

(b) Gopalaswamy, R A: "Family Planning Outlook for Government of India", in Cycle V Kiser (Ed) "Research in Family Planning, Princeton", Princeton University Press, 1962, pp 67-81.

(c) Agarwala, S N: "Sterilisation as a Population Control Device, Its Economics", *The Economic Weekly*, July 4, 1964.

(d) Sarma, R S S. "Demographic Effects of a Large Scale Sterilisation Policy", *Artha Vijnana*, Vol 5, No 1, March 1963, pp 17-23.

[2] Asoka Mehta, Deputy Chairman, Planning Commission, inaugural address at the Conference of Honorary Family Planning Education Leaders, New Delhi, July 1964.

[3] (a) Dandekar, V M and Dandekar K, "Survey of Fertility and Mortality in Poona District", Gokhale Institute of Politics and Economics, Publication No 27, pp 174-187.

(b) "Research in Family Planning in India", (Ed) Cycle V Kiser, Princeton, Princeton University Press, 1962.

(i) Agarwala, S N: "Evaluating the Effectiveness of Family Planning Programme", pp 409-421.

(ii) Ajit Das Gupta: "Fact Finding for Birth Control Programmes", pp 435-441.

[4] Life Tables, 1951-60, 1961 Census, Census of India, p i.



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The Sterilisation Debate

The Cheapest Method

T J Samuel

In his article, "Sterilisation as a Population Control Device: Its Economics", (The Economic Weekly, July 4, 1964), S N Agarwala seeks to refute the claim that sterilisation is the most economical population control technique.

However, Agarwala arrives at this result only by grossly under-estimating the cost preventing births by the use of contraceptives.

The examination of the comparative costs of contraception and sterilisation attempted below shows that by any standard of measurement, monetary, non-monetary or phychic, sterilisation stands head and shoulders above the other methods of population control.

S N AGARWALA compares the cost of sterilisation with that of the use of condom for contraception and makes an effort to knock down the notion that sterilisation is the cheapest method of family planning.

Restricting our discussion to the section dealing with a comparison between the cost of a vasectomy and that of contraception with the use of condoms for the achievement of similar results (prevention of one birth) the following points may be raised.

In considering the "cost" of a vasectomy, he includes two different types of costs (i) the cost of creating a motivation for vasectomy, and (ii) the cost of the operation as such, like the fees of the surgeon, the cost of medicines and so on. He includes "Rs 10 to Rs 20 incentive cost" to arrive at the range of Rs 36 to Rs 46 as the suggested cost of a vasectomy and later Rs 50 as the additional monetary incentive to implement a large scale programme of sterilisation. Thus the probable cost of a vasectomy is put at Rs 90 (or Rs 45 per prevented birth) which includes an amount of Rs 65 (Rs 50+10+20) as incentive cost per vasectomy. 2

However, in the determination of the cost of winning a convert to contraception who uses condoms, only the actual price of condoms is included. The acceptance of contraception by an average couple in India, whether the method be condom or intrauterine devices, could be achieved *only* at a positive monetary cost to the government for creating the necessary motivation (which is different from a vague desire for adopting contraception). This item of cost includes the expenditure on government propaganda, persuasion and "education" for birth control and, more important, the cost of maintaining this motivation unabated till the reproductive period of the couple is terminated by old age, divorce or death of one or both of the partners so that they adhere to the methods of contraception adopted or use some equally effective method other than the one with which contraception was started.

If the cost (Rs 65 per couple) of creating motivation for sterilisation as calculated above, is the same for the creation and maintenance of motivation for the use of contraceptives (here condoms) the supposed cheapness of condoms vanishes. Now the cost of preventing a birth by condoms will be Rs 48.5 (Rs 16+32.5, i e, 65/2) as against Rs 45 for sterilisation. Only if it is proved that the cost of motivating a couple to use condoms is less than Rs 58 (Rs 90—Rs 32) do condoms attain parity with vasectomy in comparative costs.

Misleading Formula

The formula presented for the determination of the number of condoms needed to prevent a birth is misleading. It is doubtful whether we can arrive at the number of condoms needed for the prevention of one birth from the formula which is the reciprocal of the difference between PRW (pregnancy rate without contraceptive use for 1200 months of exposure) and PRO (pregnancy rate with contraceptive use per 1200 months of exposure) multiplied by the monthly frequency of coitus. He attributes a value of $\frac{62}{1200}$ to PRW and $\frac{15}{1200}$ to PRO which gives a value of 47 (62—15) per 1200 months of exposure. For every pregnancy saved the exposure months have been 25.5 $\left(\frac{1200}{47}\right)$ months. This figure is multiplied by the monthly frequency of 5 or 6 coitus to obtain the number of condoms needed to prevent one birth.

Let us look at the question from another angle. Vasectomy operations in India are now conducted at an average age of 40[1] which save, on an average two potential births per couple. According to the formula presented by Agarwala this means that the wives of these vasectomised men would otherwise have been exposed to the risk of pregnancy for a period of 51 months (25.5 × 2). Such a short period of pregnancy exposure to the wives of men aged 40 seems too short in view of the lower ages of wives in India as well as in the light of the following definition of "exposure". "This term (exposure) is used to indicate the periods of time during which conception might have occurred. The number of months of such exposure was calculated by subtracting from the total months of married life the months pregnant (and an additional one month per pregnancy for the puerperium) months sterile, months physically separated (if two or more months at a time) when neither pregnant nor sterile, and months when coitus was impossible for anatomical reasons".[3] Since the wives of men at the average of 40 in India are likely to have a total of 10 more years of reproductive period ahead, the period of "exposure" out of this 10 years will be more than 51 months. Ruling out the usefulness of the rhythm method, if it is assumed that 7 out of 28 days in the menstrual cycle of women could be subtracted as not exposed to the risk of pregnancy due to biological, religious or other factors, the period of exposure remains 90 months (10—2.5 × 12). Since the husband who accepted contraception does not and cannot know which particular coitus during this 90 months exposure period is likely to result in pregnancy, to leave nothing to chance, he has to use condoms for each and every copulation.

If Agarwala's findings of 6 coitus per month (which is to be examined later) is tentatively accepted, the pieces of condoms needed during the

90 months exposure period will be 540 (90×6) and at the price quoted by him they would cost Rs 60 for the supply of contraceptives *alone, assuming no increase in their price* during the 10 year period. If the cost of motivation of Rs 65 per couple is also included *the cost of contraception with the use of condoms becomes Rs 125* per couple or *Rs 62.5* per prevented birth as against Rs 45 per prevented birth in vasectomy.

Frequency of Coitus

The finding of the frequency of coitus at 6 needs to be subjected to closer scrutiny. As is admitted by him, it is based on a small sample which is far from representative of Indian couples.

However, since no other investigation of a similar nature is available from India it would be useful to look into some of the data on the frequency of coitus in other countries. The results of a few studies are available from U S A and U S S R. In U S A, K B Davis,[3] mailed questionnaires enquiring into the sex life of one thousand married women of median age 37 90 per cent with above high school education, over 74 per cent reportedly enjoying good health and 87 per cent "unqualifiedly" happy in marriage. Of the 919 replies analysed the mean frequency of coitus per month was found to be 9.76. R L Dickinson and L Beam[4] reported the clinical findings in the work of one gynacologist over a period of 45 years who collected and analysed the sex histories of 526 women. The mean number of coitus per month was found to be 9.76. G V Hamilton[5] reported on his findings based on 100 married men and 100 married women who were "serious-minded, more or less importantly occupied (men and women), well above the average as to intelligence and cultural attainment".[6] Number of copulations varying from 9-24 a month was reported by 64-95 per cent of women and 73-95 per cent of the men.

Raymond Pearl[7] examined 9 studies (including the first two above) conducted in U S A and U S S R on the frequency of coitus and showed that on an average the number of coitus per month has been above 10. Further Pearl also found that average coital frequency per month varied according to occupations. While professional men had a frequency of 9 coitus a month and merchants and bankers 11 a month, the average frequency for farmers has been 12.6.[8]

Since the data presented above are for a different race at a different social, cultural and economic level, it may be asked how far it is applicable to India. For the following reasons it is believed that a frequency of coitus around 10 *per month may be applied to India* in spite of the general atmosphere of asceticism and poorer health of Indian couple. *The data for these countries pertain to a period 25-30 years ago* and therefore, are likely to be closer to the data on the sexual behaviour of Indians at present because the people of U S A and U S S R were, then, closer to the people of India in social, cultural and economic levels. Secondly, *farmers in the above occupational* group had a higher frequency of coitus and the implication it has in a predominantly agricultural country is too obvious to need mention.

The above argument is supported by anthropologists who have studied the sexual behaviour of married couples in non-industrial societies. It is observed that "... . every adult normally engages in heterosexual intercourse once daily or nightly during the periods when coitus is permitted".[9]

Twice As Costly

Therefore, with a frequency of coitus of *10* per month, let us calculate the cost of condoms to a couple of whom the husband could have been sterilised. Total copulations for a 90 month exposure period will be 900 (90×10) and on the basis of the prices quoted the cost of condoms alone will be Rs 100. If the cost of motivation also is included, the total cost is equal to Rs 165 or Rs 82.5 per prevented birth. The ratio of the cost of condoms to the cost of vasectomy works out to be almost 2:1.

However, if the remaining reproductive period is longer than 10 years, vasectomy becomes much more attractive for population control. For example, let us assume that a couple have already 3 children and 20 years more of reproductive period allead which gives a period of exposure of 180 months. Then the cost of contraception through condoms would be Rs 265 (Rs 200+Rs 65) as compared to Rs 90 for sterilisation or Rs 132.5 per prevented birth for contraception as against Rs 45 per birth for sterilisation. In other words, sterilisation has a 3 to one advantage over the use of condoms. Incidently this suggests that younger couples undergoing sterilisation could be given a higher incentive payment.

Agarwala asserts that "if.. ...non-monetary and psychic costs are also included, vasectomy would turn out to be much more expensive". It may be asked, in this connection, whether the non-monetary and psychic costs of vasectomy are higher than the non-monetary and psychic costs in the use of condoms like the constant fear of contraceptive failure, the inconvenience of keeping the condoms from the peering eyes of the other members of the family, seeing that they are kept handy at the time of need, the problem of disposing of the used condoms, the embarrassment of buying them from a store, the loss of pleasure in coitus because of its use and so on?

The acceptability of condom as a contraceptive over other contraceptives does not suggest that it is cheaper than sterilisation. By any standard of measurement, monetary, non-monetary *or psychic, sterilisation stands head* and shoulders above the other methods of contraception.

Watering down the unquestionable supremacy of sterilisation as a method of population control in the short run by demographers themselves would prevent the government from abandoning its vascillating stand on sterilisation in favour of a mass sterilisation programme in order to prevent the births of a few million babies of chance whose ever increasing pressure is unmistakably and inevitably felt on the economy of India which is already in a poor shape.

Notes

1. Dandekar K, "Vasectomy Camps in Maharashtra", *Population Studies*, Vol 27, No 2, November, 1963, p 151.
2. Whelpton P K and Kiser Clyde V, (ed), "Social and Psychological Factors affecting Fertility," Vol IV, Milbank Memorial Fund, 1954, p 890.
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4. Dickinson R L and Beam L, "A Thousand Marriages", Baltimore, Williams & Wilkins, 1931.
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6. *Ibid*, p vi.
7. Pearl Raymond, "The Natural History of Population", Oxford, 1939, pp 68-70.
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The Sterilisation Debate

Cost Calculations Not Enough

Ashish Bose

No matter how elaborate the calculations are of the comparative costs of contraceptives and sterilisation for the individual and for the nation, we are not likely to arrive at any firm conclusion unless we know the more important part of the story, namely, the social and psychological implications of the alternative programmes.

Unfortunately, the demographer or the statistician is not the best person who can throw much light on these implications.

THE population debate, both in India and abroad, has for long been marked by slogans and catchwords, dramatic phrases and picturesque language. The monotony of dreary statistics on births, deaths and marriages is often broken by the outbursts of alarmists and the exuberance of family planners. The discussions at the recent 'All India Honorary Family Planning Education Leaders Conference' adds to the variety and richness of the population debate.

Experts Differ

In his inaugural address, Asoka Mehta declared: "Family planning activities have, therefore, to progress with more than geometric progression. That tremendous history-stalling effort awaits your endorsement." Talking about the different methods of family planning he said: "I welcome the use of all the colours on the palette, all the arrows in the quiver of family planners." But he made it clear that in India "abortion will not be accepted" and said: "the other somewhat similar 'crash' method available is vasectomy." He then posed a question: ". if we are to achieve results with a sense of urgency, or on a 'war-footing', is it not time to tell the State Governments to 'go ahead' with their schemes and plans for mass-scale vasectomy operations?" "It may not be possible to reach 2.5 million operations straightaway, but half a million to a million operations a year are possible almost immediately," he added.

The Health Minister, Sushila Nayyar, also commended sterilisation. She suggested that the number of vasectomies be considered "the yard-stick of success achieved".

V K R V Rao differed from this viewpoint in his closing address. He observed that the emphasis on sterilisation was unrealistic and unscientific. He denounced the craze for crash programmes everywhere, even in the field of family planning which involved men and women. The birth of children should not be equated with the production of vegetables, he commented. Rao suggested that a full-dress debate on sterilisation and its implications be held in the Parliament, State legislatures, Panchayats and other such democratic bodies before a nation wide mass sterilisation programme is launched upon.

It may be interesting to recall that S Chandrasekhar, the demographer member of Parliament, recently proposed that substantial cash incentives be introduced in the programme for mass sterilisation and the funds needed for this purpose be raised through the levy of a marriage tax. Chandrasekhar has been one of the pioneers in the crusade for contraceptives but in recent years he has shifted the emphasis from contraceptives to sterilisation as the most effective solution of India's population problem. (He once suggested that contraceptives should be distributed freely with ration cards).

Cost Comparisons

Ever since he wrote the report on the 1951 Census of India, R A Gopalaswami has been an ardent advocate of a vigorous nation-wide family planning movement. In his Census report, however, there was no attempt to highlight sterilisation as a method of population control. He had the following to say about sterilisation: "The technique is believed to be making good progress in recent years. The claim is made that the minor operation involved is safe, effective and free from any disabling effect ... If this is true and is brought home to the people, sterilisation of the male may become an important part of the methods by which improvident maternity is avoided." A few years later, in 1960, at an international conference on Research in Family Planning held in New York, Gopalaswami presented a paper in which he made a powerful plea for male sterilisation. He concluded: "The success of government action in the next few years will depend almost entirely on the rapidity with which the people can be persuaded to resort to sterilisation as a method of family limitation."

In a recent pamphlet, 'Planned Development and Population Growth,' Gopalaswami has worked out the financial implications of a nationwide sterilization programme. According to his calculations, the Central Government will have to provide a sum of Rs 150 crores to be spent during the Fourth and Fifth Plan periods.

S N Agarwala has contested the views of Gopalaswami in a recent article (*The Economic Weekly*, July 4, 1964). After a study of the comparative costs of vasectomy and the male contraceptive, Agarwala concludes: "... the performance of sterilization operations in India has been unduly exaggerated. It also does not happen to be the cheapest method of family planning." According to his calculations, the cost of avoiding one pregnancy through the use of male contraceptive is Rs 16 while it is Rs 20 through vasectomy operation. Agarwala's estimate for the male contraceptive seems to be on the low side as he has not included in his calculations the cost of transport and distribution of contraceptives. It may be noted, however, that in his calculations of the cost of vasectomy, 'incentive costs' are not included.

Social Implications

Undoubtedly the financial aspect is important while advocating the use of any particular method of family planning but is monetary cost the most important factor in such matters? It would be useful to draw a distinction between national cost and individual cost. From the point of view of the national budget, sterilization may have the minimum cost compared to any other method of family planning but from the point of view of the individual, the 'psychic' cost of the method may be very high even though he gets a financial incentive for getting himself sterilized. In other words, if the psychic cost of the nation is taken to be zero, the method which is financially the cheapest will be the best but this need not necessarily be so when we consider an individual. The financial cost of abstinence and *coitus interruptus* is zero but is the psychic cost of these methods zero?

No matter how elaborate the calculations are on the comparative cost of

contraceptives and sterilization for the individual as well as for the nation, we are not likely to arrive at any firm conclusion unless we know the more important part of the story, namely, the social and psychological implications of the alternative programmes. Unfortunately, the demographer or the statistician is not the best person who can throw much light on these elusive aspects of human life. I am reminded of the story of the French water diviner which Alfred Sauvy narrates in his book 'Fertility and Survival'. The water diviner was precise with his figures. "Sir, there is water here at a depth of exactly 25.5 feet, *apart from the clay,*" he said. "That means 25.5 feet plus the layer of clay?" asked the person who had commissioned the water diviner. Quick came the answer: "Precisely, Sir, there may be 600 feet of clay, I have no idea, because, of course, I cannot divine clay."



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The Sterilisation Debate

Not Alternatives, but Complements

J N Sinha

If it is accepted that family planning in India will be voluntary, without coercion by the Government, its success, whether by contraception or sterilisation, will depend on individual motivation which presupposes propaganda and social education on a mass scale. What will count really is not the availability of facilities for sterilisation or for the distribution of cheap contraceptives, but the individual willingness to use them.

If, therefore, priorities have to be established in our family planning programme, it is suggested here, expenditure on social education and mass communication should receive the pride of place. This is necessary for the success of the sterilisation programme no less than for the spread of the use of contraceptives. In fact, the impact can be maximised only if the two programmes are adopted simultaneously instead of being trated as substitutes.

IN his article, "Sterilisation as a Population Control Device" S N Agarwala opens up the important but delicate issue of sterilisation vs birth-control by contraception. He takes Gopalaswamy's model of population-control as a convenient peg on which to hang his own arguments. Gopalaswamy estimated that sterilisation operations performed at the rate of 5 per thousand of population per annum for a period of 10 years would reduce the birth-rate by 12 points and the cost per operation would be only Rs 10. Agarwala questions both these estimates. According to his calculations sterilisation will neither yield the qucik and tangible results that are expected of it nor prove relatively cheap. Analysis of the concepts and assumptions underlying these estimates will be revealing for population policy in India.

The impact of a given number of sterilisation operations on birth-rate depends on the following factors:

(1) The ratio of persons sterilised in reproductive ages to the total number in these age-groups.

(2) The age-composition of the sterilised.

(3) Age-specific fertility of the sterilised (were they not operated upon).

(4) The number of live births which the sterilised have already had by the time of operation.

Agarwala estimates that an eleven point reduction in birth rate would follow only if 2.8 million sterilisation operations are performed annually for a period of ten years. His estimate is based on the following assumptions:

(1) The number of reproductive females in 1961 remains fixed for a period of 10 years.

(2) The age structure of the sterilised is the same as found by Mrs Dandekar in her Maharashtra Sample.

(3) Age specific fertility of the sterilised would be at par with others were they not operated upon.

Agarwala rightly questions the assumption of stationary population and finds that if allowance is made for the new entrants of the order of 21 million to the reproductive ages during the decade 1961-71 the net decline in birth would be only 5.5 points or about 14 per cent. However, his assumptions (2) and (3) appear rather dubious. One may not safely generalise the results of Mrs Dandekar's study not only because her sample is small and selected from a particular region of the country but also because it is unrepresentative in another important respect, namely, the average fertility performance of persons sterilised in various age-groups. It is, indeed, very queer that the average number of live-births to persons in ages 28 and above varies within a narrow range of 5 to 6, whereas in a normal population the average is expected to increase with age upto to 40 years. This suggests that persons sterilised at younger ages are perhaps selective of high fertility. If the fertility performance upto the time of sterilisation is atypical, the assumption of normal fertility in the subsequent period (in the absence of sterilisation) becomes questionable.

Top Priority for Education

This brings me to the issue of voluntary versus compulsory sterilisation. As yet we do not have any authentic evidence of the extent of voluntary acceptability of sterilisation on a mass scale. My own guess is that the demand for sterilisation will be not only limited but also follow at a stage in the reproductive periods when it ceases to have a considerable impact on the birth rate. The use of compulsion seems the only way out to make it effective. Once we grant this, sterilisation alone stands as a practicable remedy since contraception by other means is possible only with the full co-operation and the interest of the individual. In the event of compulsion, persons selected for sterilisation can have any age-distribution and any number of live-births depending on the decisions of authorities concerned so that the impact on the birth rate could be varied within fairly wide limits. However, the idea of compulsion in an affair so highly personal is shocking and it would be idle to carry out any further exercise on this basis.

Granting that family planning in India has to be on a voluntary basis, its success whether by sterilisation or by contraception depends on individual motivation which presupposes propaganda and social education on a mass scale. What really will count is not the availability of facilities for sterilisation or for the distribution of cheap contraceptive pills and condoms but the strength of individual motivation to accept them.

We now turn to the questions of cost-benefit ratio to which much space has been devoted in Agarwala's article. The analysis can be carried out at two levels:

(1) To compare the returns on resources invested in family planning programme with returns on similar investments elsewhere in the economy, and

(2) to compare the cost of achieving a given reduction in births by sterilisation and by other means of contraception.

Analysis at the first level is of primary importance but lies outside the scope of Agarwala's article. Also it is not very important so long as the funds allocated are kept within the narrow bounds of Rs 50 crores to Rs 100 crores out of a total Plan outlay of more than Rs 20,000 crores.

It is only analysis at the second level with which we are here concerned. From a series of complicated calculations Agarwala finds that the cost of eliminating one pregnancy by the use of condoms works out at Rs 16 as against Rs 20 through vasectomy operation. It may, however, be interesting to lift the monetary veil and try to see what the real resources involved and alternative opportunities sacrificed are. It may be noted that a large part of the expenditure on vasectomy is really incurred on labour and personnel services which are locally available whereas a large part

of the contraceptive supplies or the materials needed for their manufacture are imported from abroad and involve the use of foreign exchange resources which should count as multiples of local resources of a given value in computing real costs. Out of the estimated cost of Rs 40 per vasectomy about Rs 15 are to be given as incentive charges for loss of labour *which really will not mean any opportunity-cost, particularly* for the farmers in rural areas, if the operation is performed in the off season. The net cost would, therefore, come to Rs 25 per vasectomy or Rs 12½ per pregnancy eliminated, assuming Agarwala's estimate that one vasectomy saves two births. Sterilisation is thus less expensive than birth reduction by means of contraception. It may appear still cheaper in real terms if allowance is made for the gap between money and real costs of personnel services which accounts for a large part of the expenditure on sterilisation and for the foreign exchange resources needed for importing contraceptives.

Finally, I feel that there is much to be added besides the direct cost of contraceptives used or of the vasectomy operation performed, if family planning is to be successful in India. As suggested above, a lot has to be done by way of social education and propaganda before either of these becomes acceptable. If priorities are to be established in our family planning programme, I would put expenses on *social education and mass communication* at the top. These are 'indirect costs'. Such costs are common to both sterilisation programme or the spread of family limitation by contraception and the returns can obviously be increased if both the programmes are adopted simultaneously instead of being treated as substitutes.

Contraception, Sterilisation Abortion

THE Central Family Planning Board which met in Bombay on Tuesday strongly recommended that the production of contraceptives should be started in the public sector.

The Board emphasised that in order to obtain the desired impact on the birth-rate, the sterilisation operation as well as other methods of contraception should be propagated and carried out as soon as a couple have three children. It recommended that the honorarium of Rs 100 for 10 operations in one day, offered to private surgeons as an incentive to help in sterilisation programme, may be continued. The approved organisations and vasectomy units may be allowed a payment of Rs 10 per case for drugs and transport to meet their expenditure.

It was agreed that the Centre should give 100 per cent assistance to State Governments for providing additional beds for sterilisation cases in hospitals.

The Board set up a committee to study the question of liberalisation of abortion law as a measure of family planning. The committee will consist of representatives of the Indian Medical Association, Federation of the Gynaecologists and Obstetricians, Family Planning Association, Central Social Welfare Board, All India Women's Conference, Indian Council of Child Welfare and the legal profession.



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From the Chair

New Standard Engineering Company Limited

Speech of the Chairman Shri R G Saraiya

THE following is the speech of the Chairman Shri R G Saraiya at the Annual General Meeting of the Company held in Bombay on Wednesday August 26, 1964:

Passing Away of Nehru

Before I turn to review the operations during the past year, I must give expression to our deep sense of grief and loss over the passing away of Shri Jawaharlal Nehru. It is now about three months since death removed him from our midst, but our feeling of loss still persists. He was the one man, who above all others played an outstanding role in holding the Indian people together in troubled and difficult times and securing for them the gains of progress with stability at home together with respect and recognition abroad. He is now no more at the helm, and if our ship of state is to steer clear of troubles and dangers ahead, we have above all to pull together. Our national solidarity could be the best homage that we could pay to his memory.

The audited Statements of Accounts for the year 1963-64, together with the Directors' Report, have been in your hands for some time and, with your permission, I shall take them as read.

New Directors

I should like to extend here a special welcome to our two new Directors, Shri S P Mehta and Shri Prabhu V Mehta. As you have seen from the Agenda, they were both co-opted as Directors by the Board and seek election at your hands in this Meeting. Shri S P Mehta is an eminent Advocate of the Bombay High Court, who is particularly known all over the country as an authority on Tax matters. With his deep study of industrial and technical problems, Shri Prabhu Mehta has carved out for himself a position of leadership in the business community, despite his young years. He was President of the All-India Manufacturers' Organization last year, and held his office with distinction. The Board of Directors has already profited from their advice and guidance, and I am sure their continued association with us will be of great help to the Company.

Pace of Progress

I am glad to report that during the year under review, the Company continued to show good progress in its operations as well as development. Sales reached the record level of Rs 2.40 crores as against Rs 1.83 crores in the previous year. Against the increase of only Rs 21 lakhs in 1963, sales showed an appreciable increase of Rs 57 lakhs during the past year. It is a matter of satisfaction that your Company has been able to register such a marked rate of increase of over 30%, even at increasingly higher levels of operations, especially in the midst of expansion and development.

Increase in Costs

The year under review has witnessed a steady pressure of an all round increase of costs. With the increase in prices of materials such as steel, pig iron, coke, electric motors, etc., there has also been an increase in wages, dearness allowance, bonus and other benefits to labour. To this has been added statutory increase in customs duty, central sales-tax, employers' contributions for Provident Fund, ESIC, etc. It has not been possible to offset fully this rise in costs by increased productivity or higher prices for our products, with the result that gross profits have not shown the same rate of increase as in the case of sales and output. However, your Company's profit performance can also be looked upon as satisfactory. As against Rs 22.88 lakhs in the previous year, the gross profits in the year under report were Rs 26.87 lakhs. The corresponding figures for net disposable profit after Depreciation, Development Rebate and Taxation are Rs 7.73 lakhs and Rs 10.05 lakhs respectively. With this increase in profits, your Directors have thought it fit after careful consideration to recommend Silver Jubilee bonus dividend @1% on Equity Shares, while maintaining the previous year's Equity and Preference dividends each @ 9%. With the increase in dividend distribution of Rs 1.11 lakhs, it has also been possible to transfer Rs 2.75 lakhs to General Reserve as against Rs 75,000/- only in the previous year.

The fixed assets of the company increased during the year by Rs 15.88 lakhs as against increase of Rs 46.08 lakhs, Rs 25.99 lakhs and Rs 29.44 lakhs in the previous three years. As you will see from this, there is some slowing down of the tempo of development particularly in the past year. While this is to some extent due to a deliberate policy of phased expansion and delay in issue of import licence for Foundry machinery, it also reflects the general problem of finding funds for development. I propose to revert later in this Speech to the consideration of this important problem, which not only affects your Company's development, but also threatens the growth of our national economy.

Silver Jubilee Celebrations

This is the Silver Jubilee year of your enterprise, which started as far back as 1939 as a proprietory concern founded by Shri J V Patel our Managing Director, and which has blossomed out after many phases of expansion, into a Public Limited Company in its present form over five years ago. A Souvenir Brochure entitled "25 years of Service to Industry" was issued to mark this historic occasion. It was released formally by Shri S G Barve, Minister for Industries, Government of Maharashtra, at a small, informal function, held at our Goregaon Works on 25th January 1964. Copies of this Brochure have been sent to you all as well as distributed amongst our many friends and associates, at home and abroad. We have received heartening messages of congratulations from some of our share holders and well-wishers, to whom we are deeply grateful for their words of encouragement.

The Directors' Report has reviewed in some detail the Company's operations during the past year, with special reference to progress of foreign collaboration and development at Goregaon, to which there is little that remains to be added. I should like to mention here the publication of our House Magazine entitled "We in NSE" which was first issued under the name of "NSE Sandesh" on 1st October 1963. Four numbers have also been published in a bilingual edition of English and Marathi. It is proposed to enlarge the

scope of this new publication and to make its issue more frequent so that the benefit of this forum of communication and self-expression can reach all the ranks of our employees.

Labour Problems

This brings me to the outlook for the Company in the current year. In line with the rising levels of production during the past year, and the previous years, we have set for ourselves higher targets for 1964-65. Unfortunately the progress of the first quarter in the current year was marred by labour trouble which culminated in a strike, paralysing operations in one Department for over a month and in the entire works for ten days. Reference has already been made in the Directors' Report to the strike, which was pending at the time the Report was signed. The strike was precipitated by the Management's chargesheet against one of the workers for misbehaviour. I am glad to report that the strike has now been called off, and the dispute has been referred to an Industrial Court through the good offices of the conciliation machinery of the State Government. Now that the matter has been amicably settled with the workers and the Union, I do not wish to prolong the controversy.

However, I cannot help making here some general observations concerning the present labour situation in the country. While times are undoubtedly difficult owing to, what may be called the growing pains of development, as indicated by rising prices, there is no need for acts of indiscipline, acts of intimidation and sometimes even violence and sabotage as part of the methods employed to redress real or imaginary grievances. These activities may in course of time not only retard our economic growth but also pose a challenge to our national stability and integrity. There may be legitimate differences between labour and management, and there may even be room for strikes. But every thinking section of the community must unequivocally condemn some of the methods which have been recently adopted in an increasing measure by a section of the workers in various institutions both in the public and the private sector.

Lack of Funds

Before I conclude, I should like to turn to the other serious problem faced by industry at present in general, and by your Company in particular. This is the problem of finding adequate funds for further development. As you no doubt are aware, your Company has been well established for the manufacture of engineering goods. It has gained considerable management and engineering experience and built up a corps of trained personnel which is capable of handling much further development of your industry. It has resources in land, power and water supply which are also capable of further development. As a proof of the growing potential of your Company, we are receiving almost every month proposals for collaboration for entry into further lines of manufacture, and your Company has turned down several proposals owing to lack of funds.

Apathy Among Investors

This brings me to the problem of the complete apathy of the capital market towards new issued and stagnation, if I may use term, in the Stock market. In spite of some concessions made in the last Budget by the Finance Minister, the investment and taxation climate of the country is such that it is almost impossible to attract funds to new ventures. It is desirable that there is considerable rethinking on the taxation front by the Government of India. It is not merely doling out of one concession or the other to the Corporate Sector, but the creation of a climate favourable to generation and accumulation of savings in the community, which is most important. With heavy Governmental expenditure on the one hand, and rising prices on the other, the individual who has ultimately to bear the brunt of taxation is not able to find the wherewithal for investment in new industry. I realise that the Finance Minister has an extremely difficult role to play between the needs and the clamours of realising social objectives and the basic discipline required for economic growth. It is, however, possible to carry social objectives to a point which will defeat the main objective and spread poverty instead of prosperity, if economic growth is not achieved, if agricultural and industrial production is not increased and there is a general climate of stagnation and frustration. I do trust that the authorities will before long undertake measures to restore the climate of confidence, so that it may be worthwhile on the part of the individual to save and invest.

I am sure you would like to join me in thanking our Managing Director, staff and workers who have worked loyally and diligently for the satisfactory working of the Company during the year.

I have now pleasure in moving the adoption of the audited Statements of Accounts and Directors' Report for the year ended 31st March 1964.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting.

Panchayats and People

AN evaluation of the second Panchayat elections held in Punjab last December shows that people's participation was high. Of about 600 villagers interviewed, as many as 98 per cent had voted.

The study was carried out by the Indian Institute of Public Opinion on behalf of the National Institute of Community Development. The object was to assess the people's reaction to the Panchayat elections and the working of Panchayati Raj institutions.

The report shows that elections were unanimous in 3,750 of the 13,351 panchayats. The election atmosphere was peaceful and without tension. Election results were generally approved and the elected people considered capable and honest. Complaints of official interference or manipulations were negligible. The majority of the people confirmed that the elections were fair. Though political parties did not take active part in the elections, political affiliations were there. But the personality of the candidate counted for more than his political support. Though influence of caste was admitted, only 10 per cent of the people covered by the survey thought that caste denomination had a decisive influence in the elections.

Outgoing Panchayats were considered to have done good work in providing communication and educational facilities. But they did not seem to have given enough attention to increasing agricultural production. This role had either been taken for granted or had not been properly recognised. The report shows that the Village Volunteer Force and Defence Labour Bank programmes have not succeeded in focussing the attention of villagers on the pressing problem of increasing agricultural prodution. Many of the people covered by the survey, however, felt that the V V F and D L B schemes could be useful if properly implemented.

Poysha Industrial Company Limited

Speech of the Chairman, Shri M R Ruia

The following is the address delivered by the Chairman, Shri M R Ruia, at the 7th Annual General Meeting of the Company held on Mondaythe 24th August 1964:

I AM glad to report that the year 1963-64 has been a satisfactory year in most respects. Even in the existing factory at Bombay, with all its limitations, we have been able to show a distinct improvement in production, by increased efficiency and a certain amount of rationalisation. Our Production of containers increased by no less than 18% over last year's, and a substantial proportion of it was open top sanitary cans used mostly in the food preservation industry, the balance being general line cans for various industries like oils, paints, vanaspati, confectionery, etc. This performance must be regarded as quite satisfactory in relation to our resources. The very fact that, even after providing, among other things, Rs 8.58 lakhs for taxation as against Rs 2.95 lakhs in 1962-63, the profits for 1963-64 amounted to Rs 4.26 lakhs as against Rs 2.11 lakhs in the preceding year, is a measure of our striking improvement. The staff reorganisation already initiated has begun to produce results, and I am sure the performance during the current year will be even more satisfactory. I may mention that this will probably be the last year in which we shall function throughout the year in the present factory in Bombay, as we expect to move into the new modern factory near Thana before the end of 1965.

Expansion Programme

We have not been idle regarding our expansion programme. We have now acquired a total area of 33 acres of valuable land for our factory near Thana from the Maharashtra Industrial Development Corporation. Tenders are being invited for the construction of the new factory buildings on the basis of plans and lay-outs prepared by our architects. We hope to begin construction soon after the monsoon, and shall complete it as speedily as possible.

The land for the Cochin factory, comprising about ten acres, has also been bought at Mamala near Ernakulam, and we are now studying the plans for the factory buildings and installation of the plant. The site is a good one, about a mile, as the crow flies, from the new Oil Refinery complex.

The actual site for the new factory at Ghaziabad has also been selected, after personal inspection of the Uttar Pradesh Industrial Estate, and we are now negotiating the detailed terms of the purchase.

Kaira Can Company

I may also mention that the requirements of our Associate, Kaira Can Company, which has been created solely to meet the needs of the Kaira District Co-operative Milk Producers' Union at Anand, have been receiving full attention. As there were difficulties in the procurement of land for this Company through the State Government, our Associate carried on private negotiations and has succeeded in selecting a suitable site (about 10 acres) near Anand. The plans for the factory buildings are also under preparation.

As regards the plant, a modern automatic printing plant has already been imported for our Bombay factory and is now awaiting installation at the new factory at Thana. I am also glad to report that we have at last succeeded in getting permission from the Government of India for a second automatic bodymaker line for our Bombay factory, the absence of which has been a bottleneck in production there. The new equipment will enable quick changeovers from one can diameter to another, without appreciable loss of time, and we shall also be in a position to manufacture containers of larger diameters. The Government have also agreed to the importation of all the plant and machinery we had selected for the factories at Cochin and Ghaziabad, and we expect the import licences to be issued shortly.

The Kaira Can Company has already placed orders with American suppliers for the machinery required, and we expect the equipment to reach India some time before the end of this year.

The present year and the next will, therefore, be a very active year for our Company, involving the construction of four new factories for ourselves and our Associate, and the installation of up-to-date plant in each of them. When they start production, we shall get rid of our present strategic disadvantage in having only one important manufacturing centre at Bombay, and having to bear the handicap of long transport and high packing costs to various markets in distant parts of India. We shall, like the major producer of cans in this country, be in the happy position of catering for regional markets from the regional plants.

I mentioned in my last review the new developments regarding receipt of orders for various types of cylinders, etc., from the Defence Departments. We have made much progress in this respect, and were able to secure substantial orders, a considerable part of which has already been executed.

Our share in the present export drive has continued to expand, and I am glad to report that during 1963-64 about Rs 20 lakhs worth of goods were exported in our containers. The beginning of the present year has already shown further remarkable progress in this direction, and new export markets have been created.

Tinplate Supplies

I must mention one point in connection with the availability of our present raw material, namely tinplate. While on the whole we had a slightly better, though still not an adequate supply of tinplate for our manufacturing requirements, the disturbing feature has been that arrivals have not been following any regular pattern. We get very larger quantities of tinplate in some months, followed by a lean period, including some months with no arrivals at all. This absence of a proper phasing militates against any sensible planning of our whole manufacture throughout the year, and causes our customers considerable inconvenience. I do not know what the Government can do in the present circumstances to help us out of this condition of a relatively hand-to-mouth existence; but any long-range programme by them involving the proper staggering of indigenous production, as well as of imports, would be a real boon to us.

You will be interested to see from the relevant Balance Sheet and Profit and Loss Account annexed to this report that our wholly-owned subsidiary, Colrige, has also had a successful year. The sales in 1963-64 exceeded Rs 6 lakhs, and the previous loss has been converted into a sizeable profit.

A word regarding our future activities. You will observe from the Directors' Report that the capital is going to be increased from Rs 25 lakhs to Rs 110 lakhs. We have carried on detailed negotiations with important financing

agencies like the Industrial Credit and Investment Corporation of India, Kerala State Industrial Development Corporation, Industrial Finance Corporation, Life Insurance Corporation, the U P State Industrial Corporation, and certain Banks, for foreign exchange or rupee loans, or underwriting facilities. I am confident that these negotiations will soon fructify and that we shall shortly be fully armed at every point to embark on our scheme of modernisation and expansion, at the end of which we and our Associate will have four modern plants, combining the latest Continental and American techniques, and located at strategic centres, to enable us to cater for the greater part of India, besides contributing our tangible share to Indian exports.

All this has been possible as the result of combined team-work at all levels. Our staff have fully co-operated, and our relations with labour continued to be harmonious. I am happy to convey my thanks to them on your behalf.

Finally, I feel I should take the opportunity to refer to a topic which will be of paramount importance to the Can manufacturing industry in this country within a decade or two. As you are well aware, tinplate has been facing increasing competition from other materials like aluminium, paper, plastics, etc, and has had to adapt itself to meet this competition. The enormous impact of aluminium as a package material on the American beer can manufacture industry first made American tinplate producers seriously think of a modified tinplate to meet this formidable challenge; and "thin tinplate", otherwise known as "double cold reduced tinplate" was expressly created to meet the challenge. A survey of current tinplate manufacture in the United States reveals that this particular variety of tinplate is now developing very rapidly and that almost all producers, including the "Big Three", have now started large-scale manufacture of this type. Another recent development is tinplate "foil" which has a paperthin gauge of two-thousands of an inch. We, in this country, cannot afford to stand still while all these modifications are going on in the largest tinplate producing country in the world, whose practices and methods are bound to have a controlling effect on tinplate manufacture elsewhere. Many other countries outside America (e g, the U K and Japan) have also taken up the manufacture of thin tinplate and are likely to take up the manufacture of tinplate foil also. All of India's tinplate production at present is hot-dipped, which is already outmoded (less than 3% of the total manufacture of tinplate in the U S A is of this variety today), and I note that a beginning is to be made in Rourkela in the manufacture of electrolytic tinplate. This is good so far as it goes. Unless, however, the Government take a long-range view, and modify the Rourkela programme in the Fourth Plan and take steps now for the manufacture of at least a certain percentage of thin tinplate and tinplate foil, I am afraid we will be hopelessly outclassed in the not too distant future. The same consideration applies to the proposed new plant at Bokaro. I would earnestly request the Government to give this matter serious thought and arrange for a progressive increase in the manufacture of these two new varieties which have a great bearing on reducing the cost of tin cans and will enable our industry to face competition from containers made of other materials, not only in India but as regards exports also. An ancillary suggestion I would also make is that during the period in which this manufacture is being started in this country, imports should be allowed of tangible quantities of these two new varieties of tinplate to enable us to try them out on our plants and get ready in time to cope with full-scale production when the need arises. This need, I repeat, will be on us within possibly a decade.

Note: This does not purport to be the record of the proceedings of the meeting.



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Around Bombay Markets

Equities Record Further Gains

Thursday Morning

DALAL STREET pushed its way further up last week. Gone are the days of agonising dullness. It is not only the trading ring which presents a lively appearance, activity is also being maintained at a fairly high level even in kerb dealings after the regular session. Activity is still predominantly professional but outside participation is on the increase. If public support is not very substantial yet, it is partly because the recent rise in the popular speculative counters has been a little too steep, especially when compared with the market's performance over the past several months, and partly because the outside public starts taking a lively interest in the market only when cash scrips begin to move up nicely. Interest in cash scrips is gradually reviving and certain counters have recorded quite appreciable gains over the past few weeks. But the cash market is still lagging far behind.

There has been nothing particularly exciting in the week's news to explain the market's buoyancy; the corporate news, of course, has been encouraging. The chairman of TELCO held out the hope of a bright future for the company's shareholders when they got together at the annual meeting. That the company of the standing of TELCO should have been permitted to issue right shares at a premium of Rs 30 (as against Rs 50 in 1963) has generally been interpreted as an indication of a helpful change in official thinking on the subject and there can be little doubt that the Government is really anxious to revive the capital market. How else can the Unit Trust scheme succeed?

The marked improvement in the mood of the stock market holds out the promise of a better future for investors. However, since the recent rise has taken the market fairly close to its pre-Budget high recorded on February 29—the highest for the year, it is quite likely that the market might take a pause some time in the immediate future and consolidate its position before making a further big dash. The Unit Trust has kept the price of its units unchanged for some time at Rs 10.35. Whether it has been able to attract further funds at this price, is not known. The real test of the popularity of the unit scheme will come when the Unit Trust also emerges as a buyer of its units. That alone will establish a real market for the units.

Cotton

End of the Season

THE 1963-64 cotton season which ends on August 31 came to a close in the futures market on the 25th with the expiry of the August contract. But the unfortunate payments crisis which overtook the futures market because of the keen bear-bull tussle in August, the 1963-64 season could be described as a reasonably good year from various angles. Prices generally remained well below the statutory ceiling thereby reducing official intervention in the market to a minimum. But for certain restrictions on the movement and consumption of Vijay and Digvijay cotton for some time, the trade and industry enjoyed full freedom in their operations. The industry had no difficulty in securing its raw material though it had to pay near-ceiling prices for good quality cottons. Growers got a good price for their record crop of nearly 61 lakhs bales which became possible mainly because of the almost ideal weather conditions during the season. And the export trade too cannot complain that their business suffered in any way due to unhelpful Government policy, though the performance has not been as encouraging as in the previous season.

Viewed against the background of fairly comfortable supply—the season's carryover is likely to be some two lakh bales larger—and prospects of another bumper crop, it seems quite surprising that the payments crisis should have resulted from the failure of a bear operator to meet his liabilities, and that too in spite of a penal margin which clearly discriminated against the bulls. It is difficult to escape the feeling that the 'crisis', involving a sum of about Rs 12 lakhs, could have been avoided if the Board of the East India Cotton Association had exercised vigilance over the operations of its members. But when the members of the Board are themselves having a big stake in the market as bulls and bears it is not easily possible for them to act in a manner which would be in the bests interests of the trade. The Forward Markets Commission also cannot escape the blame for having allowed the situation to worsen because it is represented on the Board which keeps it fully apprised of the market politics.

Record Tenders

Penal margin was not all that the prominent bull operator had to worry about. He proved more than a match for all the big bears who issued tenders for as many as 36,300 bales—a record figure for nearly a decade. The survey and appeal results, rejecting a very large number of bales, clearly indicate that "shorts" had made a desperate bid to issue unusually large tenders to scare the bulls without any serious consideration for the obvious risk involved in tendering goods of doubtful quality. Except for the excitement during the delivery period, the behaviour of the August contract was extremely dull. Starting at Rs 737.25 on April 13 the contract drifted lower to touch a low of Rs 716 on July 6 and it recovered to Rs 749.25 by July 25—the highest rate during the pre-delivery period. But it recorded an impressive rise during the delivery month and touched a high of Rs 784.75 on the last day—August 25; unofficially it was bid up to 792.

Barring certain cotton producing tracts which have had some excessive rains and are urgently in need of bright sunshine, weather conditions so far are reported to be very satisfactory. Crop prospects are considered to be promising. Of course with several crucial weeks ahead, it is still premature to say how the crop will turn out to be. With the season ending with a larger carryover and new crop prospects encouraging, mills are no longer eager to pick up cotton unless it is of very good quality. The general tendency is distinctly subdued. The turnover is restricted. Export interest is alone slack.

Helpful Policy

The Government of India's decision allowing free licensing of Bengal Deshi cotton for export will be welcomed as it does away with certain cumbersome procedures such as performance guarantees and individual ceilings which have hitherto been in force. This is what the export trade had long been pleading for. New Delhi has not conceded the demand for the reduction in export duty on Deshi cotton and also removal of sales tax on cotton meant for ex-

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8. Less production waste. Discover how proper distribution by Pan Am Jets can level off slack and rush periods in your production line . . . help you meet last-minute overseas orders and cash in on unexpected opportunities.

9. Eliminate hidden shipping costs. Pan Am can tell you how much of your capital is now tied up in goods currently in transit—how much of this expense you can eliminate.

10. Receive payment sooner. With Pan Am's help, you can figure what it's worth to you if your invoices were paid sooner—by as much as a month, for instance.

11. Cut down obsolescence losses. Learn from Pan Am how proper distribution can help keep you from getting caught with too much unsalable inventory on hand.

12. Cut wharfage, docking, trucking costs. These high costs can take the cream off your overseas profits. They can be reduced or eliminated from many shipments. Let Pan Am show you how.

13. Lower clerical expenses. Did you know that one Pan Am air waybill is all you need to ship anywhere in the world? Find out how much waste paperwork may be currently involved in your distribution operation

14. Less expensive insurance. Some shipping methods entail insurance costs as much as 90% higher than others. Reinvestigate the insurance cost of your present shipping methods and compare them with Pan Am rates

15. Reduce breakage and pilferage. Investigate which distribution method gives your products greatest protection. You'll find Pan Am offers maximum safety

16. Large items go by Jet. Now you can ship items that could never go by air before. No costly disassembly and reassembly. Capital goods go to work sooner, earn money sooner. New Pan Am all-cargo Jets are the reason.

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port. The Government might review the situation after watching the progress of export business for a few months. The trade can be rest assured that the Government is anxious to see that the country's export effort does not suffer on account of export levies.

Along with the export policy for Bengal Deshi, the Government has also announced a hundred per cent quota for mills to make purchase of Indian cotton equivalent to their consumption during the current season. A stipulation has, however, been made for the compulsory purchase of Cambodia A and B cotton to the extent of 7½ per cent of the consumption of Indian cotton during the 1963-64 season. This is applicable only to mills which have been using these varieties of cotton during the past three seasons ended August 31, 1964. Every mill is required to complete its purchases of the entire quantity of indigenous cotton before July 31, 1965. The industry is pleased with the liberal allocation of indigenous cotton quotas to mills. Normally, only quarterly quotas were being given which at times tended to hamper production schedules. If the weather continues to oblige, the trade and industry can look forward to smooth trading conditions in the next season, with prices well below the ceilings. Trading in the new crop March contract continues to be characterised by restricted turnover and narrow fluctuations, mostly between Rs 734.75 and Rs 732. Prospects of any appreciable improvement in prices are generally discounted unless the weather takes an unfavourable turn.

Oilseeds

Futures Activity Revives

THE oilseeds market is being brought back to life. Hedge trading in new crop cottonseed contract had been permitted a few weeks ago, but somehow cottonseed has never been very popular with speculators. The Forward Markets Commission has now allowed trading in new crop castorseed and linseed contracts as well. No ceilings have been prescribed for the new crop futures contracts. The restriction on the rise in prices during any week has been retained and so also the system of special margins. But the special margin will become applicable at prices which are far above those in the previous season and these are, in fact, higher than the maximum prices fixed for the futures contracts during the season. In the 1963-64 season, the maximum price had been fixed at Rs 183 for castorseed (250 kilograms) and Rs 45 for linseed (50 kgs). In the case of new contracts, the special margin itself will become operative at above Rs 196 and Rs 48 respectively. The liberal terms and conditions under which futures trading in new crop contracts has been permitted, welcome as they are, make one wonder why the Commission had followed a restrictive policy in respect of the 1963-64 contracts. Can it be that the Commission has at long last realised the utter futility of prescribing arbitrary ceilings for futures when there exists no such control over the spot material which is clearly beyond the purview of the Commission.

Speculative activity in new crop contracts is still restricted. The general tendency is, however, easier. After a small early rise from Rs 39.25 to Rs 39.69, linseed January eased to Rs 38.81 and later rallied to around Rs 39.16. The September 1964 contract is quoted around the ceiling of Rs 45. The heavy discount on the new crop contract reflects traders' favourable assessment of the supply position in the new season as preliminary forecasts indicate that the groundnut crop might set a new all-time record around 36/37 lakh tonnes. Castorseed March 1965 started at Rs 180 but soon eased to around Rs 177. Cottonseed January which had declined from Rs 101.25 to Rs 94.75 in the preceding week staged a small recovery to around Rs 97 last week on short covering.

Activity in oilseeds futures will pick up in course of time but the market is unlikely to feel really active until the resumption of forward trading in groundnut and its products. It is not the uncertainty about the new crop outlook—the prospect is in fact very promising—but the utter confusion, caused by the restrictions on the movement of groundnut and groundnut oil by the Gujarat State and certain curbs on the movement of oilseeds imposed by the Uttar Pradesh Government, which has made it difficult to take a decision on hedge trading in groundnut and its products. Not until restrictions on inter-State movement of oilseeds are done away with, it will be extremely difficult to make a proper assessment of the demand and supply equation which is necessary for formulating export policy for the new season. If the weather continues to oblige and the new crop groundnut turns out to be a bumber one, the Government will be well advised to amend the export incentive scheme—scrap it if possible—for groundnut oil and control vanaspati prices. This will help bring down domestic prices and also strengthen the competitive position of Indian edible oils in international markets. Fortunately, groundnut oil prices abroad are showing a firm tendency which along with the strength in overseas demand, particularly from Spain, Burma and Russia, hold out the hope of a reasonably good export performance for groundnut oil without incentives. Unless export incentives are carefully thought out in the light of overseas demand and prices, they are likely to cause considerable hardship to the domestic consumers.

Export activity continues to be restricted. There is not much doing even in groundnut extractions as the supply is limited. Many of the extraction plants are being obliged to close down due to inadequate supply of expellers, which is due partly to restrictions on the movement of goods from the U P. Business in castor oil is limited to odd lots sold to the U K now and then but they do not add up to much. There has, however, been fairly satisfactory demand for cottonseed cake and its export is likely to set a new record.

Money Market

Thursday, Morning

THE week opened with a spurt in the inter-bank call money rate from half per cent to two per cent. The rise was attributed to a temporary demand for funds occasioned by the opening of the lists of 13 State loans for a total of Rs 100 crores during the week. The higher rate was sustained till the middle of the week. At the same time, funds were also easily available even though 11 State loans were either fully subscribed or over-subscribed absorbing about Rs 90 crores between them. Therefore the spurt in the rate appears to be more due to reluctance on the part of lenders than to any dearth of funds.

This is corroborated by the scheduled banks' return for the week ended August 14, the latest available, which reveals a further gush of funds into the banks, the aggregate deposits rising by Rs 8.98 crores. This has enabled the banks to reduce their borrowings from the Reserve Bank by Rs 1.66 crores to Rs 2.37 crores and to swell cash in hand and balance with Reserve Bank by Rs 10.35 crores. The reluctance of lenders is again apparent from the fact that moneys placed at call showed a reduction of Rs 2.95 crores at Rs 63.73 crores and that sales of intermediates during the period August 19 to August 22 fetched about Rs 12.90 crores as against Rs 8.56 crores a week before.

Investments of scheduled banks have come down during the week by Rs 9.33 crores which perhaps reflects the inclination of banks to switch over to some of the new loans.

The closing of the subscription lists of as many as 11 State loans within three days, indicates a more-than-expected response for the loans and their popularity with institutional investors.

The Reserve Bank's statement for the week ended August 21, bears out that there has been no special pressure for funds during that week. Active notes further contracted during the week by Rs 29.15 crores. Of this amount, notes of the value of Rs 23.34 crores have gone back to the Issue Department and the remaining Rs 5.81 crores to the Banking Department. As there is a simultaneous inflow of Rupee coins of Rs 1.66 crores into the Issue Department, the aggregate contraction in notes and coins has released Rs 25 crores of Rupee Securities back into the Banking Department.

Deposits of Central Government rose by Rs 9.44 crores while those of State Governments fell by Rs 10.12 crores, indicating adjustments. Scheduled banks' deposits were up by Rs 8.70 crores while their borrowings continued to decline and stood at Rs 1.84 crores. Foreign balances improved during the week by Rs 4.20 crores raising total foreign assets to Rs 98.46 crores.

Business Notes

Indian Iron & Steel

INDIAN Iron & Steel Company's steel production during the year ended March 31, 1964, reached almost the rated capacity of its plant. Although no notable improvement in production is any more normally possible, introduction of new techniques, for which the Company is already striving, will enable it to step up production. Besides the Company has started discussions with the Government of India and the World Bank on the second phase of its expansion programme.

Production of steel ingots in 1963 64 improved by 24,747 tonnes to 1,026,786 tons. Production of iron was less at the Burnpur Works, partly due to partial suspension of work for some time for technical reasons and partly due to the difficult operating conditions attributable to the deterioration in the quality of coal supplies. Output of the Kulti Foundries was adversely affected by restriction of pig iron supplies and showed a reduction of 8,706 tonnes at 215,653 tonnes. However, despatches of saleable steel were up by 10,433 tonnes at 808,393 tonnes. This increased tonnage and higher average sales realisation resulted in an improvement in the margin of profit earned.

Sales realisations rose during the year to Rs 76.04 crores from Rs 72.19 crores in 1962-63 and other revenues fetched Rs 1.47 crores as against Rs 0.35 crore. After meeting the usual and necessary expenses and stepping up depreciation provision from Rs 3.40 crores to Rs 4.40 crores, which the Company was obliged to do, the net profit of the year was higher by Rs 2.39 crores at Rs 11.51 crores. Taxation provision absorbed Rs 3.87 crores (Rs 3.56 crores) after taking back Rs 13 lakhs from Taxation Contingency Reserve. Statutory development rebate reserve got Rs 8.44 lakhs after writing back Rs 3.32 lakhs being the excess provision made earlier. Out of the balance, the Company has ploughed back Rs 5.43 crores to General Reserve as against Rs 3.64 crores in the previous year. The Reserve has been expanded in order to conserve resources to provide against the heavy indebtedness of the Company amounting to Rs 17.10 crores and large capital expenditure of about Rs 39.40 crores to be incurred for its Colliery Development Project and Balancing of Plant Scheme.

Ordinary dividend has been stepped up to Rs 1.70 per share from Rs 1.60 per share for the previous year, and the total dividend inclusive of preference dividend would absorb the entire balance of Rs 2.11 crores available in the Profit and Loss Account.

The Balancing of Plant Project (Phase I, First Steel Expansion Scheme) is expected to increase the annual steel making capacity of Burnpur Works by 3 lakh tonnes of crude steel. The Second Phase of the Expansion Plan which has now been taken up with the Government of India and the World Bank will increase the rated capacity of the Company by a further 7 lakh tonnes per annum. Thus the total capacity will show an expansion of 1 million tonnes of crude steel per annum. The Chairman, Sir Biren Mookerjee, states that the implementation of the expansion schemes will be gradual without impairing the dividend distribution of the Company, and that each stage of development will be followed by a period of consolidation.

Statutory control over the price and distribution of several categories of steel was abolished from March 1 this year. Sir Biren observes that while it is too early to assess the effect of the new arrangements, the retention of control by Government over certain categories of steel, particularly sheets, has done little to curb the activities of the black market in items of short supply. Sir Biren has further expressed dissatisfaction over the fact that the cut imposed by Government in the retention prices recommended by the Tariff Commission for the two years ended March 31, 1962 which continued upto the date of the price revision, has remained uncompensated to the detriment of the finances of the Company.

Larsen & Toubro

LARSEN & TOUBRO'S sales set a new record for the year ended March 31, 1964 at Rs 821 crores, showing a rise of over forty per cent on the previous year's sales of Rs 5.82 crores. The rise is mostly in the company's own products. Income from other sources such as, service fees, commissions, etc, also showed an improvement during the year.

Profit for the year after providing Rs 18.46 lakhs (Rs 14.64 lakhs) for depreciation and Rs 4.46 lakhs (Rs 3.23 lakhs) for development rebate, amounted to Rs 88.35 lakhs, as against Rs 48.30 lakhs in the previous year, showing a rise of about 83 per cent. Provision for taxation including for prior years took away Rs 50.50 lakhs as against Rs 24.40 lakhs. The Chairman states that the substitution of the super-profits tax by the sur-tax has, to some extent, reduc-

Larsen & Toubro's Financial Progress

		1963-64	1962-63	1961-62
Sales and other incomes	(Rs in lakhs)	908.48	774.91	597.28
Profit before taxes	"	88.35	48.30	40.26
Provision for taxes	"	50.50	24.40	21.00
Profit after taxes	"	37.85	23.90	19.26
Total dividend distributed	"	25.73	20.23	16.38
Dividend per equity share (Rs)		1.50	1.40	1.40
Shareholders' equity	(Rs in lakhs)	292.39	275.64	169.74
Shareholders' equity per share	(Rs)	16.81	15.80	14.07

ed the tax liability for the year. Net profit of Rs 27.85 lakhs represents a rise of 58 per cent over the previous year's figure of Rs 23.90 lakhs. A sum of Rs 9.08 lakhs has been transferred to General Reserve as against Rs 4.06 lakhs in 1962-63 and a sum of Rs 3 lakhs (Rs 1 lakh) is taken to dividend equalisation reserve. Out of the balance, Rs 25.73 lakhs (Rs 20.23 lakhs) have been transferred to Dividend Reserve. The increased net profit has enabled the company to step up the equity dividend from 14 per cent (Rs 1.40 per share) to 15 per cent (Rs 1.50 per share) for the year.

The Directors state that the output at the company's Powai Workshops increased during the year by 62 per cent. Production has more than trebled over the last three years, and the production units have reached and in some cases even exceeded the targets. This higher production has contributed to an overall reduction in cost of production inspite of rising cost of labour, material, power and other manufacturing expenses.

The company's larger contracts in hand, valued at Rs 1.71 crores, are progressing satisfactorily. The company has a three-year expansion programme to meet the rising demand for its products and engineering services. It has already proposed to raise further capital by issuing 6,60,000 equity shares of Rs 10 each at a premium of Rs 2 per share. Over and above the amount of Rs 79.20 lakhs that the above issue will fetch, the Company will be availing of some medium and long-term loans also, to finance the expansion plans.

With a wide range of activities based on long experience in the engineering field and world-wide contacts, the Chairman is optimistic about the company's future growth and strength.

Clarion McCann Advertising Services

THE Indian owned and managed advertising agency, hitherto known as Clarion Advertising Services, Private, Ltd, will henceforth be known as Clarion-McCann Advertising Services, Private, Ltd, as a result of its collaboration agreement with McCann-Erickson Corporation, an international advertising agency. The Government of India has given its assent to the collaboration. The American partner will hold 49 per cent of the shares in the new company which will be managed by the present management of Clarion. The collaboration is expected to introduce the latest techniques of advertising and marketing into this country.

TWA

TRANS World Airlines reports a revenue of 261 million dollars and a net profit of 11.1 million dollars for the half year ended June 30, 1964, as against a revenue of 216 million dollars and loss of 3.8 million dollars in the corresponding previous period. Domestic earnings which resulted in a loss during the first half year in 1963 have shown an improvement of 54 per cent during the first two quarters of the current year resulting in profits. The improvement is attributed not only to improvement in general economic conditions but also to improved scheduling for travellers and better personal services. TWA claims that it has become the world's second largest airlines in terms of passenger miles flown, not including the socialist countries.

Lufthansa

LUFTHANSA German Airlines' operations for the year 1963 showed a small profit of U S 20,000 dollars. Its chief executive, Mr Gerhard Hoeltje expressed confidence that this positive trend will continue in future years. Lufthansa, it is stated, is presently focussing attention on many problems like simplification of check-in procedures at airports, reduction of time spent in the airport, improvement in landing facilities and is aiming at flying as regularly, punctually and reliably as possible, involving the passenger in as little red-tape as possible. Lufthansa carried over 2.1 million passengers in 1963 as against 1.8 million in 1962. As for its share in air traffic, Lufthansa occupies the seventh place among the world's airlines.

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CURRENT STATISTICS

Index of Industrial Production

(Base: 1956=100)

Item	1964 March	1964 April	1964 May	1963 May
GENERAL INDEX				
Seasonally adjusted	173.8	166.5	162.3	160.7
Crude	175.6	164.4	160.5	158.9
Mining & Quarrying	176.7	173.1	164.7	179.8
Coal	168.3	164.3	155.9	171.2
Manufacturing	170.7	158.6	154.6	153.2
Food Mfg Industries	124.4	97.8	98.9	94.0
Wheat Flour	363.7	336.3	340.7	232.1
Sugar	238.3	79.8	3.5	3.5
Tea	19.4	64.3	107.5	107.6
Salt	207.7	300.0	363.8	330.3
Beverage and Tobacco Industries				
Cigarettes	162.1	169.9	159.3	152.6
Manufacture of Textiles	131.2	126.0	120.0	120.1
Spinning, Weaving and Finishing of Cotton Textiles	124.5	119.1	112.3	113.9
Cotton Spinning	138.7	135.2	124.0	127.2
Weaving of Cotton Textiles	119.0	113.4	107.8	108.9
Mill Sector	98.2	95.8	85.2	90.4
Decentralised Sector	175.5	161.2	169.1	158.8
Spinning, Weaving and Finishing of Woollen Textiles	131.9	132.3	128.6	178.6
Spinning, Weaving and Finishing of Textiles from Silk and Synthetic Fibres	206.7	207.8	206.8	165.8
Spinning, Weaving and Finishing of Jute Manufactures	130.0	119.5	117.1	119.9
Manufacture of Footwear, other wearing apparel and made up textile goods	209.5	241.6	150.7	222.1
Manufacture of wood and cork except manufacture of furniture	183.9	193.8	188.6	208.1
Manufacture of paper and paper products	250.9	236.9	236.9	208.3
Manufacture of leather and fur products	153.5	143.2	142.8	119.8
Manufacture of rubber products	203.3	209.7	176.7	176.0
Manufacture of chemicals and chemical products	214.3	202.4	190.0	226.6
Basic industrial chemicals	370.1	317.6	333.3	409.6
Heavy organic chemicals	420.8	378.0	294.4	258.3
Heavy inorganic chemicals	406.2	385.3	382.6	534.1
Synthetic Resins and Plastics	624.6	641.6	568.7	545.4
Dye stuff	171.9	162.7	183.8	115.2
Manufacture of fertilisers	172.4	131.7	124.4	215.8
Manufacture of paints, varnishes and lacquers	177.6	175.4	168.9	154.8
Soap	160.7	166.0	140.2	147.3
Manufacture of matches	94.6	93.3	93.6	100.3
Manufacture of petroleum products	225.8	198.7	225.6	197.3
Manufacture of non-metallic mineral products	221.1	212.3	206.6	206.0
Manufacture of structural clay products	210.8	207.8	201.0	217.1
Glass and glass products	181.2	184.9	182.4	164.3
Manufacture of pottery, china and earthenware	284.1	288.2	279.0	263.9
Cement	207.1	193.3	189.2	193.6
Basic metal	265.8	250.4	256.0	260.5
Iron and steel basic industries	276.6	258.5	265.2	270.5
Pig iron	322.5	317.4	332.5	375.1
Finished steel	341.1	306.4	320.5	295.8
Copper smelting and rolling mill products	159.2	147.6	143.8	148.1
Aluminium manufacturing	394.0	386.2	389.6	381.7
Brass manufacture	174.3	176.1	166.6	206.2
Manufacture of metal products	228.1	224.2	196.5	185.2
Manufacture of bolts, nuts, screws, nails, springs, chains, etc	167.0	173.7	128.3	155.2
Manufacture of hand tools and small tools	528.2	492.4	464.7	264.0
Manufacture of metal products not elsewhere classified	203.4	201.9	175.0	179.3
Manufacture of machinery, except electrical machines	417.2	359.2	378.0	359.5
Internal combustion engines	424.6	422.1	365.7	383.7
Manufacture of industrial machinery	476.8	359.5	443.0	356.2
Manufacture of commercial office & household machines	282.5	261.1	255.0	336.9
Sewing machines	85.7	66.1	67.8	287.0
Manufacture of electrical machinery, apparatus, appliances and supplies	272.8	262.0	244.1	245.5
Power transformers	338.4	317.2	348.0	314.5
Electric motors	342.8	336.5	303.0	338.5
Manufacture of electric cables and wires	319.6	320.0	291.8	233.0
Manufacture of batteries	190.8	177.3	177.2	183.1
Electric lamps	277.8	290.6	259.6	298.0
Electric fans	264.9	224.8	202.1	405.3
Radio receivers	286.7	316.1	271.2	265.2
Manufacture of transport equipment	219.0	182.0	178.5	153.0
Railway wagons	163.7	156.2	145.4	123.6
Manufacture of motor vehicles (automobiles)	258.8	176.0	184.2	158.1
Manufacture of motor cycles & scooters	648.2	588.2	629.1	455.4
Bicycles (complete)	211.4	225.6	205.1	189.0
Electricity, Gas & Steam				
Electricity	293.4	286.9	295.6	255.8

BREAKDOWN OF WORLD BANK AND IDA ASSISTANCE UPTO JUNE 30, 1964

($ Million)

	No Bank Loans	Bank Loans Original Amount	Bank Loans Net Amount	No IDA Credits	Amount IDA Credits
Africa					
Algeria & Sahara	3	80.5	80.5		
Congo (Leopoldville)	5	120.0	92.7		
East Africa	1	24.0	24.0		
Ethiopia	7	51.9	51.9	1	13.5
French West Africa	1	7.5	7.1		
Gabon	1	35.0	35.0		
Ghana	1	47.0	47.0		
Kenya	2	14.0	14.0		
Liberia	1	3.3	3.3		
Mauritania	1	66.0	66.0		
Mauritius	1	7.0	7.0		
Morocco	1	15.0	15.0		
Niger	—	—	—	1	1.5
Nigeria	3	71.5	71.5		
Northern Rhodesia	2	63.5	63.5		
Ruanda-Urundi	1	4.8	4.8		
South Africa	10	221.8	221.8		
Southern Rhodesia	3	83.1	83.1		
Sudan	3	74.0	74.0	1	13.0
Swaziland	1	4.2	4.2	1	2.8
Tanganyika	—		..	2	18.6
Tunisia	1	7.0	7.0	1	5.0
Uganda	1	8.4	8.4		
Total	50	1,009.5	981.7	7	54.4
Asia and Middle East					
Burma	3	33.4	33.3		
Ceylon	3	41.5	38.9		
China	1	7.8	7.8	4	15.3
India	31	876.1	847.1	14	390.0
Iran	5	212.7	212.7		
Iraq	1	12.8	6.3		
Israel	3	74.5	74.5		
Japan	26	612.9	607.0		
Jordan	.	—	—	3	8.5
Korea	..		..	1	14.0
Lebanon	1	27.0	27.0		
Malaysia	3	95.5	88.5		
Pakistan	20	361.4	361.2	14	179.0
Philippines	5	82.2	79.7		
Singapore	1	15.0	15.0		
Syria	—	—	—	1	8.5
Thailand	12	182.0	164.4	1	
United Arab Republic	1	56.5	56.5	—	
Total	116	2,691.1	2,620.0	37	615.3
Australia	7	417.7	417.7		
New Zealand	2	40.3	40.3		
Europe					
Austria	9	106.3	104.9		
Belgium	4	76.0	75.8		
Cyprus	1	21.0	20.5		
Denmark	3	85.0	85.0		
Finland	10	159.3	159.1		
France	1	250.0	250.0		
Iceland	6	7.9	7.9		
Italy	7	299.6	298.0		
Luxembourg	1	12.0	11.8		
Malta	1	7.5	7.5		
Netherlands	10	244.0	236.5		
Norway	6	145.0	145.0		
Portugal	2	12.5	12.5		
Spain	1	33.0	33.0		
Turkey	6	63.4	60.7	3	26.7
Yugoslavia	7	190.7	190.7		
Total	**75**	**1,713.3**	**1,698.8**	**3**	**26.7**
Western Hemisphere					
Argentina	2	143.5	143.5		
Brazil	13	292.1	267.0		
British Guiana	1	1.3	0.9		
Chile	11	136.6	136.2	1	19.0
Colombia	25	388.9	389.0	1	19.5
Costa Rica	7	47.8	47.8	1	5.5
Ecuador	7	55.6	54.0	1	8.0
El Salvador	7	51.0	50.4	1	8.0
Guatemala	1	18.2	18.2		
Haiti	1	2.6	2.6	1	0.4
Honduras	4	20.0	20.0	1	9.0
Mexico	14	458.8	439.3		
Nicaragua	12	38.1	38.1	1	3.0
Panama	5	18.6	18.0		
Paraguay	1	5.0	4.5	2	9.6
Peru	17	138.4	123.3		
Trinidad & Robago	1	23.5	23.5		
Uruguay	5	89.5	89.5		
Venezuela	2	130.0	130.0		
Total	136	2,059.5	1,995.7	10	82.0
Bank Total, 73 countries	386	7,931.3	7,754.1		
IDA Total, 22 countries				57	778.4

BANKING RETURNS

(Rs Crores)

	Aug 21	Aug 14	July 24	Aug 23, '63
Reserve Bank				
1 Note circulation	2423.82	2452.97	2443.76	2208.74
2 Rupee coin	106.78	105.12	105.77	121.83
3 Deposits				
(a) Central Govt	78.24	68.80	76.88	65.04
(b) Other Govts	13.09	23.21	17.93	15.19
(c) Banks	126.94	115.78	103.21	101.61
(d) Others	187.90	188.57	190.38	160.25
4 Foreign securities	85.46	85.46	85.46	89.46
5 Balance abroad	13.00	8.80	7.37	8.35
6 Rupee securities	2138.88	2160.88	2155.68	1907.12
7 Investments	247.28	250.01	287.43	223.31
8 Loans and advances to Govts	54.06	47.50	51.24	45.03
9 Other loans and advances	155.21	160.79	157.07	138.22
	Aug 11	Aug 7	July 17	Aug 16, '63
Scheduled Banks				
1 Aggregate deposits (net)	2448.48	2439.50	2419.26	2179.81
Demand (net)	1108.99	1104.46	1104.73	957.39
Time (net)	1339.48	1335.04	1314.53	1222.42
2 Cash in hand	65.11	64.72	62.61	59.08
3 Balance with Reserve Bank	105.52	95.56	101.00	84.57
4 (2)+(3) as % of (1)	6.97	6.57	6.76	6.59
5 Borrowing from Reserve Bank	2.37	4.03	0.42	0.32
(a) Against usance bills and/or promissory notes	0.60	2.10	0.14	—
(b) Others	1.77	1.93	0.28	0.32
6 Advances	1501.33	1498.11	1516.76	1269.30
(a) State Bank	324.84	323.69	324.32	245.60
(b) Others	1176.49	1174.42	1192.44	1023.70
7 Bills discounted				
(a) Inland	167.47	169.89	162.15	163.97
(b) Foreign	68.52	68.95	62.89	47.96
(c) Total	235.99	238.80	225.04	211.93
(i) State Bank	21.38	21.45	20.66	16.27
(ii) Others	214.61	217.35	204.38	195.66
8 (6)+(7) as % of (1)	70.95	71.20	72.00	67.95
9 Investment in Govt Securities	754.88	764.21	679.02	730.48
10 (9) as % of (1)	30.83	31.33	28.07	33.51

BOMBAY MONEY RATES

(Per cent per annum)

	Aug 14	Aug 7	July 17	Aug 16, '63
Call money from Banks	3.44	2.85	0.99	2.66
Deposits				
Seven days	3.00	2.90	3.00	3.00
Three months	—	—	—	—
Six months	3.75	3.75	3.75	3.75

ATUL

- DYES
- CHEMICALS
- PHARMACEUTICALS

THE ATUL PRODUCTS LTD.
Atul, via. Bulsar,
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EDITORIALS

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Search for Liquidity

BANKERS and financiers are by no means the most innovative of people. But perhaps more than in human psychology, the explanation for the snail's pace of international monetary reform has to be sought in the law of physics that for every action there is an equal and opposite reaction. For every debtor there is a creditor and one country's payments deficit is another's surplus. And so the international monetary system moves forward by agonising twists and turns while all the neat, sophisticated proposals for reform are consigned to international archives and text books.

The Annual Meeting of the International Monetary Fund in Tokyo this week witnessed another step in this improvisation process — a 25 per cent increase in members' quotas. The last time quotas were raised was in 1959 and then by as much as 50 per cent, with practically no impact on the problem of international liquidity. How little any tinkering with Fund quotas can expand the supply of international liquidity can be seen from the fact that at the end of 1963 the total of the gold tranches, up to which countries may borrow from the Fund more or less freely, of all countries added up to just 6 per cent of their holdings of gold and foreign exchange; even the aggregate tranche positions came to about 25 per cent of gold and foreign exchange holdings. Of course, the total tranche position of a country does not represent its command of international reserves since borrowing from the Fund beyond the gold tranche becomes progressively difficult and conditional.

A large part of the supply of international liquidity in the last decade has been in the form of liquid claims on the United States as a result of the U S balance of payments deficit. But this deficit could not be expected to continue indefinitely. Neither this, nor the consequent need to evolve "other, more deliberate, measures to provide international liquidity", has been unrecognised. But, as Pierre Schweitzer, the Fund's Managing Director, pointed out in his address to the Tokyo meeting, "any new developments in this direction raise many economic, technical and also political problems". Indeed, it has been the inevitable consequence of the rapid accession to economic strength of the European Economic Community while increasingly dominated by the Gaullist vision of a "third power" role in international affairs, that the political problems have been elevated even higher than the technical and economic ones. France, at any rate, will not easily countenance any arrangements which will let the United States tackle her payments problem without accepting a measure of "discipline" including paring down her military commitments abroad, in Europe particularly, and her economic aid programmes.

With the debate on international liquidity the developing countries are not perhaps directly concerned under the present circumstances. But any arrangement which compels the U S and the U K, the reserve currency countries and also the biggest sources of international development assistance, to adopt restrictive attitudes to trade and aid will certainly affect the developing countries. To that extent, therefore, the developing countries today find themselves on the Anglo-Saxon side in the debate. Of course, more far-reaching arrangements which will make available a part of the supply of surplus reserves to the developing countries as development loans, are not yet seriously considered even by the United States and the U K. Here, again, an increase in IMF quotas does not touch even marginally the

vast possibilities that plainly exist.

Constituted as it is, the long-term balance of payments problems of the developing countries lie outside the sphere of the IMF. These problems can be solved only by increased access for the exports of these countries to the markets of the industrialised countries and larger inflow of long-term assistance on reasonable terms. The latter is the sphere of the World Bank and its associates, the International Development Association and the International Finance Corporation, which also held their annual meetings along with the Fund in Tokyo. The World Bank's assistance in 1963-64 showed a marked increase over the level of the previous year, which was the lowest for a long time, thus dispelling fears that the developing countries had reached the end of their ability to borrow on the Bank's "hard" terms. Yet particular countries may not be far from this stage. India, in earlier years the Bank's biggest client, received no assistance at all from the Bank in 1963-64. And there are others not far better placed than India to add to their servicing and repayment obligations in the near future which borrowing from the Bank involves.

To ask the World Bank to liberalise its terms of lending is to ignore that the very factor which is responsible for the Bank's comfortable resources position its ability to sell its loans to other investors and to borrow in the capital markets definitely precludes this. That is why it was necessary to set up the I D A which depends on official contributions from developed member countries. This has automatically imposed a limit on the scale of the IDA's operations. In 1963-64, for instance, total IDA assistance amounted to $282 million compared to $810 million by the World Bank. And even so, by the end of June 1964 the IDA had committed practically all its resources. Agreement had been reached last year among the industrialised member countries to replenish the IDA's resources to the extent of $758 million. Of this amount. $668 million have already been made available and when the remainder of the promised contributions materialise, the IDA will have $762 million for new commitments from 1964-65 onwards—or enough to last less than three years even at last year's rate of commitment.

The fact is that if the IDA is to operate on a scale compensurate with *the requirements of. developing countries, the* aid-giving countries have to take a deliberate decision to shift the emphasis from bilateral to multilateral assistance. Such a decision will determine, in the words of Eugene Black, the World Bank's ex-President, whether the IDA will be "a principal instrument for the development of the poor countries" instead of remaining "just a minor gesture of goodwill towards them".

The political advantages of bilateral assistance for the aid-giver are, however, too compelling to make any large expansion of multilateral assistance appear possible in the near future. Further, the fact that almost all bilateral aid is tied to purchases from the lender country is another powerful factor against any shift in emphasis. However, to the extent that a solution of the problem of international liquidity enables the developed countries to take a less alarmist view of imbalances in their balance of payments, the compulsion to tie aid may be somewhat reduced. Here again, then, international liquidity and development aid are seen to be not unconnected.

No Echoes

THE outcome of this year's Presidential elections in the U S seems at the moment more certain than is usual at so early a stage in the campaign. The Johnson-Humphrey vs Goldwater-Miller match has only just begun formally, but certain factors peculiar to the current contest have lent political analysis a somewhat unusual clarity. Memory is short in politics but the impact of Kennedy lingers. And Johnson in his brief term in office has effectively translated the promises of 1960 into his own idiom. His campaign slogan, "Let us continue " is a soft but sure echo of the strident "Torch is passed" theme of Kennedy's inaugural address. Johnson's acceptance speech at the Democratic Convention was not especially brilliant, but it contained promises—enforcement of civil rights, denunciation of 'extremism' and Presidential control of nuclear weapons—which have a pronounced appeal to liberal Republicans. So it is that some newspapers, traditional supporters of the GOP, are now openly backing Johnson while the latest estimates give him at least a third of the Republican vote.

In choosing Humphrey as his running mate, Johnson has added strength to his position. Unlike William Miller, who is little known even within the U S, Hubert Humphrey is a national figure who aspired for the Vice-Presidential nomination in 1956 and contested Kennedy for Democratic nomination in 1960. His talents and experience in politics will seem particularly important to Americans, so recently reminded of the enormous significance of the Vice-Presidential office—a significance further underlined by Johnson's cardiac history. On the more traditional requirement of "balance" also, Humphrey is the ideal choice. This is not merely because he is from the northern State of Minnesota as against the "Deep South" origin of Johnson. Humphrey is considered a strong progressive with the sympathy of labour, thus complement ing the support Johnson expects from business groups. Such a combination could more than make good the reverses that the Democrats will surely meet, especially in the South, because of their civil rights stand.

However there are still weeks to go before November 3, election day, and it is possible that events could change the picture radically in that period. A conflagration on the civil rights issue also could upset the scales. In the meanwhile, Goldwater—whose aspirations and ideologies were not taken seriously at one time—has demonstrated his ability to grow with the office he seeks. While he has not yet quite reached the point of denouncing the John Birch Society, his extremism has been watered down. And he, who was once considered an isolationist. has now criticised Johnson's acceptance speech as too inward-looking and insufficiently oriented to world leadership.

Goldwater's own polls give him only 29 per cent of the votes against Johnson's 63 per cent. But polls he has pointed out, are not "too dependable". Truman proved this only four elections ago. However, it has to be remembered that Truman had an advantage which Johnson has today—the incomparable advantage of incumbency. Few would consider changing horses in mid-stream, especially when the horse in saddle is entirely satisfactory.

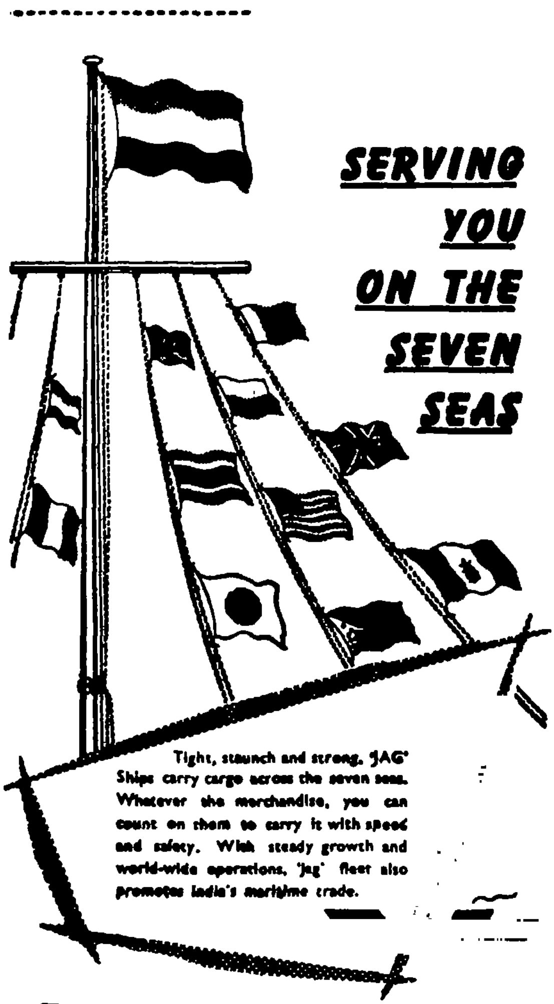
Pull of the Atom

THE First International Conference on the Peaceful Uses of Atomic Energy in 1955 was the largest meeting that had been convened under the auspices of the United Nations till then, with 1,428 participants representing 38 Governments. The Second Conference was even bigger, with 2,692 delegates from 46 countries. And now the Third Conference is the biggest ever, with 3,000 scientists participating. Such is the pull of the atom!

For such large conclaves, normally disputatious minds, the degree of unanimity achieved at these conferences is remarkable. The principal preoccupation of the assembly is invariably with establishing that atomic power can be economically competitive with power from conventional sources. This problem obsesses not only scientists from Westinghouse or General Electric who are out hawking reactors, but also scientists from the so-called developing countries. This is not so difficult to understand since some of them have already persuaded their Governments to go in for an atomic power station or two and the others hope to do so in the near future. India's Bhabha has a paper at the latest Conference showing that whereas it will cost coal-fired stations in Bombay 4.1 paise to produce a kwh of power, the comparable cost of power from a nuclear station will be only 2.6 paise. *Quod erat demonstrandum!*

The first decade of nuclear power opened with many alternative possibilities in the choice of nuclear systems; it now closes with two main lines of development -- boiling water reactors and gas-graphite reactors — well established and many interesting possibilities under study. The water systems, developed in the United States, use enriched fuel and are smaller and lower in capital cost than the gas-graphite systems, developed in the U K, but the fuel costs are higher. But even among the boiling water types, the economies of scale are pronounced. Earlier ideas of compact and economical reactors in the 30 mW to 50 mW range have had to be regretfully abandoned. Reactors of 500 mW or more are now considered the most economical, though there are not many power systems which can accommodate such a station.

It is, of course, a fact that nuclear power costs have been progressively reduced, though perhaps no nuclear power station exists just yet which can claim to produce power cheaper than conventional stations. But atomic scientists are more confident than ever that the "break-even" point will come —exactly when, it is difficult to forecast. The first half of the decade saw brave efforts at fine calculations to determine the "cross-over points" (the time when nuclear power would become cheaper than conventional) by extrapolating from slender data. It is only now that firm cost data are beginning to emerge, mainly on capital costs, though much more information now exists also on operating costs. However, many unknowns remain, among them the life of the station, the future costs of nuclear fuel, future credit for irradiated fuel, etc.



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Weekly Notes

High Financial Wisdom

THE Reserve Bank has come out firmly in favour of tightening the reins. The report of the Central Board and the Governor's recent address at a meeting of bankers are, as could be expected, worded with great care and discretion but the conclusions and recommendations are unmistakably clear, though not everyone may be convinced of their logical consistency. The scope for altering the structure and rates of taxation is extremely limited (though agriculture could bear a heavier burden), runs the argument, particularly since frequent tax changes have an unsettling effect on investment activity. It follows that deficit financing by Government must be cut down drastically if not reversed to a budgetary surplus by lopping off "less essential" expenditure. "Even if this results in temporarily slowing down development activity in some areas, it may in the long run prove beneficial".

The Bank recognises that the development strategy pursued so far has paid off to some extent; the output of basic industries in 1963-64 increased at a faster rate than that of many consumer goods. But the growth rate of industrial output as a whole was still appreciably below the Plan target of 11 per cent per year. Agriculture and consumer goods deserve, in the Bank's opinion, the highest priority in the interests of price stability and a co-ordinated wage and incomes policy geared to productivity remains a vital desideratum.

Public expenditure, the Bank admits at the same time, is not the only ingredient of the price explosion. Out of the total bank credit expansion of Rs 464 crores in 1963-64, Government accounted for Rs 281 crores or 61 per cent, against Rs 316 crores out of a total of Rs 388 crores, or 82 per cent, in the previous year. The private sector, thus, more than doubled its share of credit expansion. It is possible that the Bank still believes that private expenditure is more amenable to monetary and fiscal discipline but even so it is difficult to explain its lack of concern at the pace of private credit expansion. There is no hint at all that some paring down here, too, "may in the long run prove beneficial".

The Governor expects banks to improve their liquidity by greater deposit mobilisation, regrading of interest rates, and shifting longer term credits to the Unit Trust and the Industrial Development Bank. However, is not financing by the I D B also inflationary in some sense?

Scooping Up

THE leakage of some parts of a preliminary Reserve Bank study of foreign collaborations has caused some understandable discomfort in official quarters. Some of the findings that have appeared in *The Financial Express* (September 7, 1964) are, of course, common knowledge: that some of the earlier collaboration agreements were highly restrictive and expensive, that the supply of current know-how does not involve any loss of technological leadership, and that in many cases the collaborators enjoy full technical control even though they have only minority participation in equity.

The significant fact that has come to light — though that too had been suspected for some time — is that between 1956-57 and 1962-63 remittances on account of royalties increased about four and a half times while those for technical services rose 54 times. The order of increase appears large mainly because of the small base but the disproportionate increase under technical services certainly does catch the eye. It is obvious that collaborators increasingly prefer to receive payment in this form since it is tax free and a lump sum payment which does not fluctuate with the turnover, etc, of the Indian company. So far, Government has not laid down any maxima for such payments, as in the case of royalty, which is generally subject to a ceiling of 5 per cent of sales, subject to tax at 60 per cent hitherto and now 50 per cent.

Foreign capital and know-how have their price and that price has to be paid at least till such time as the balance of payments position eases. The absolute magnitude of the price will keep on increasing in the near future, as the number and variety of collaborators multiply. But are we paying a price that is worthwhile in terms of the benefits obtained? Admittedly, the benefits cannot be quantified easily. For that matter, we do not even know (nor is the Reserve Bank better informed at present) about the precise foreign exchange burden under various heads separately, such as dividend, interest, repatriation, royalty, technical know-how and drawings, consultancy charges, buying commission, payments to technicians, and other payments. All these are exclusive of items like inflation of equipment prices, investment in kind through sale of equipment paid for in equity, etc.

The feeling is gaining ground even in many responsible quarters that many of the fringe benefits that foreign collaborators are allowed to enjoy could be safely trimmed, particularly in those cases where they are accompanied by equity investment. When a collaborator makes an investment in an Indian company the foreign exchange represented by it should not fly out with compound interest, almost immediately, not counting the long term accrual of capital gains on the investment itself. There is surely some force in the argument that royalty and payments for know-how and other intangibles should be restricted, especially when the collaborator is receiving or is likely to receive remuneration on other accounts.

> We regret that owing to a sudden strike in the press the issue of September 5, 1964 could not be published.
>
> A FERNANDES
> Business Manager

Recasting the Plans

A correspondent writes:

THE price situation is distressing enough but the so-called re-thinking about Plan priorities, to which a section of the Government has committed itself, is no less distressing. It goes without saying that plans should be better drawn up, that the feasibility of individual projects should be established well in advance, that investments should be properly allocated to achieve the twin objectives of a high growth rate and a modicum of price stability, and that investments should fructify in production on schedule. This is difficult in all conscience but imperative. Even the talk of a smaller Fourth Plan is understandable; its size in 1960-61 prices is eroded already. What is not clear about the re-thinking is the change of

direction that is implied. Cutting down of investment in heavy industries and other long-gestation projects is, after all, only a negative proposal which does not take us anywhere, especially when the magnitude of the cut and the points at which it should fall are not specified. If the re-thinkers were to demand straightaway a large investment in food, cloth, sugar and other consumer goods, the position would be slightly clearer, provided the full implications of such a change were also elaborated.

What are the implications, apart from narrowing the base of future growth? The re-phasing of Third Plan projects, for instance, is made difficult by the fact that foreign aid for most of them has already been allocated, and has to be utilised on those projects alone. (Even non-project aid is tied, in nearly all cases to the import of specified values or quantities of certain commodities.) Their substitution by quick yielding projects, even if that were feasible in the sense that projects in hand could be suspended and others taken up in their place, would leave available foreign aid unutilised and bring on the problem of raising fresh assistance for substitute projects. That is not the only difficulty. What assurance is there that projects which appear quick yielding will turn out so? The capital output ratio and gestation period in agriculture are relatively favourable but, after the last three years' experience, can one say with confidence that larger investment will, by itself, bring forth a quick and substantial increase in agricultural output? If the primary steps required to remove agricultural stagnation are institutional and organisational changes, price incentives and larger supplies of fertilisers, etc, then the case for devoting more investments to agriculture *at the expense of* heavy industry does not appear all that strong.

There is also the further consideration that, as in the Second Plan, the incidence of cut-backs tends to fall more heavily on precisely those schemes which assume a continuum of development. Any further delay in addition to what has occurred already in the completion of heavy industrial projects would only serve to make both the price and foreign exchange position worse in future.

The case made out by the planning group on machinery industries for qualitative and quantitative expansion instead of horizontal expansion during the Fourth Plan is unexceptionable, too, in so far as it demands concentration of attention on specific areas of heavy engineering development, achievement of economies of scale and filling in of crucial gaps. How far this is part of the re-thinking is not clear. Unless we know the magnitudes of investment and production and the time schedules involved, all the talk of rephasing does not amount to an alternative Plan hypothesis.

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Aid Use: The Other Lag

THE time lag with which the Government publishes statistics of foreign assistance is no less pronounced than the other, and more publicised, lag between authorisation and utilisation of aid.

The Committee on utilisation of foreign aid has pointed out that criticism of delays in using aid had been exaggerated because the critics did not always distinguish between aid which was merely promised and aid which had been actually authorised. The remedy, it was pointed out in these columns at that time, was to publish regularly information on how much of the pledged aid was authorised and of the authorised aid, again, how much had been earmarked through placement of orders. Only when such information was available could those outside the Government be in a position to appreciate the actual delays in the use of foreign aid.

The Government does publish details of aid authorised and utilised. This information is contained in "External Assistance", an annual publication of the Department of Economic Affairs of the Ministry of Finance. However, the long lag with which the publication is released robs it of practically all interest. The latest issue, just made available, gives figures of aid authorised up to the end of December 1963. For utilisation, the information is even more outdated—up to the end of March 1963.

Scattered statistics of aid received as well as of aid utilised relating to later periods have appeared in the newspapers. Though not officially released, such information must necessarily come from Government sources. In fact, figures of aid authorised and utilised in 1963-64, the third year of the Plan, were placed before the Lok Sabha by the Government as long ago as in May. It is difficult to understand, then why the Government's only comprehensive publication on foreign aid should contain such antiquated information.

It has been claimed that the pace of utilisation of aid has improved recently. It is, of course, not possible to test this claim with the figures given in "External Assistance 1963". All that is possible is to compare the position as at the end of March 31, 1963 with that a year ago. This is done in the table below. Aid utilised up to a particular date, expressed as a percentage of aid authorised till then, is far from being a reliable measure of the pace of utilisation; at times it may be positively misleading. Nevertheless, it is difficult to be convinced from a perusal of the figures in the table that there was any improvement between 1962 and 1963.

Over-Worked Excuse

MUCH has been said about the factors responsible for slow utilisation of aid and even a committee has reported on the subject; but, basically, the reasons why authorised aid is not used are no other than those which explain the slow progress of development, in the industrial sphere in particular. In a sense, aid tied to specific projects is, of course, the villain of the piece. However, judging by the clamour for untied aid one would think that the projects to which aid is tied are all expendable and that the important thing is somehow to get the aid released for other uses. That faster execution of the projects to which aid is tied will automatically quicken use of aid has not always received the same attention.

The Government of Czechoslovakia extended a credit of Rs 23.10 crores in 1959 to finance the foreign exchange cost of the following projects, among others: the foundry forge and heavy machine tools projects, Ranchi; the high pressure boiler project, Tiruchi, Madras; and the heavy power equipment plant, Hyderabad. Though the loan was authorised in 1959, not a penny of it had been utilised till the end of March 1963 though all the projects were part of the basic and heavy industries sector, the supposed core of the Third Plan. Similarly, in February 1961 the Soviet Union offered credits amounting to Rs 59.53 crores for certain Third Plan industrial and power projects, including the Bhakra right bank power station, the Gujarat oil refinery, the coal washery at Kathara and a refractories plant, and for exploration, development and production of oil and gas in Cambay, Ankleshwar and in other areas. Out of this credit, the amount drawn up to the end of December 1963 was only Rs 1.96 crores. Or take, again, the loans we have received from the International Development Association. Up to the end of 1963 the IDA had extended to India total assistance amounting to Rs 142.84 crores. Of this, all loans except two were made in 1961 and 1962. Yet up to the end of March 1963 only Rs 10.26 crores had been utilised. In this case there is not even the excuse that the aid was tied to big industrial or power projects. Most of the IDA aid authorised in 1961 and 1962 was for road-building, flood control and medium irrigation and power projects.

In sum, the tied-aid explanation for inability to use aid can certainly be over-played. Even if all the aid were "untied", much of it would still have to be earmarked for and spent on specific projects and in the aggregate utilisation would no more than reflect the overall progress of the Plan programmes in industry, transport, power and other sectors.

UTILISATION OF FOREIGN AID
(Rs crores)

Source	As on March 31, 1963			As on March 31, 1962		
	Total Authorisation	Total Utilisation	(2) as per cent of (1)	Total Authorisation	Total Utilisation	(5) as per cent of (4)
	(1)	(2)	(3)	(4)	(5)	(6)
Austria	2.38	—	—	—	—	—
Belgium	4.76	—	—	—	—	—
Britain	249.32	174.59	70	182.66	144.83	79
Canada	26.72	15.71	59	25.23	15.71	62
Czechoslovakia	23.10	—	—	23.10	—	—
W Germany*	215.66	168.94	78	159.71	152.00	95
France	28.57	—	—	14.29	—	—
Italy	25.61	0.18	—	21.43	—	—
Japan	69.67	30.92	44	65.71	23.38	36
Poland	29.80	0.58	—	14.30	—	—
Switzerland	11.98	0.23	—	6.60	—	—
USSR	383.81	131.85	34	383.81	99.43	26
USA	856.06	483.44	56	527.47	316.72	60
Yugoslavia	19.05	—	—	19.05	—	—
IBRD	389.11	326.09	84	389.11	293.50	75
IDA	133.32	10.26	8	50.95	1.21	2
Total	2468.92	1342.81	54	1883.58	1045.68	56

*Excludes refinancing credit.

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Capital View

The Smell of Decay

Romesh Thapar

MORARJI DESAI was about the most silent member of the AICC during its just concluded pre-parliamentary session in the Capital, but his motley 'agit prop' from Gujarat, U P, and Bihar dominated the so-called session*. I say this deliberately, because the AICC seemed only to come to life during the rambling, inconsequential debate on the so-called Kamaraj Plan and its implementation, a debate which was sparked by the silent Morarji Desai. The crisis of food could not prevent the members of the AICC from reclining on the edge of sleep. The crisis of ministerial jobs and patronage had the assembly wide awake.

Politics of Frustration

This factional demonstration of the politics of frustration, described by a Delhi daily as 'free discussion and uninhibited criticism *(sic!)*', had several objectives. First, to create the impression that Jawaharlal Nehru had misused the Kamaraj Plan for his own ends. Second, to picture Morarji Desai as the victim of a political conspiracy. Third, to dwell on the disastrous implications of the Kamaraj Plan on the northern States which have exerted their hegemony in the past on Indian politics (implying thereby that the South had hoodwinked the North). Fourth, to pillory the Shastri government as a creature of conspiracy and fraud. And, fifth, to stir up a demand that Morarji Desai replace Gulzarilal Nanda as 'number two' in the Cabinet.

The demand for Desai's return was never expressed, but there is little doubt that it has been exercising certain political quarters in the Capital. At one stage rumours were current that Nanda was ready to quit; it was suggested that even his personal astrologer had advised this strategic withdrawal on the plea that his campaign against corruption was meeting with unwarranted resistence within the government and party leadership, that he would gain by continuing the fight from outside. Another theory also took root: that the activities of the Sadachar Samiti were being exploited in order to divert attention from the corruption of political and industrial tycoons to the minor failings of clerks and such like. Quite clearly, someone is pushing to get Nanda out of the way—and that someone is not Atulya Ghosh!

In the political sniping which has again become a feature of life in the Capital, the *pundits* have failed to note that Y B Chavan is no longer the quiet Congressman without an opinion and without a policy. He is beginning to present himself as someone to be reckoned with. Presiding over the entry into the Congress Party of Asoka Mehta's followers in Bombay, and now leading a defence delegation in the Soviet Union, he is speaking the kind of language which leftists of various hues like to hear. Although Chavan can afford to wait until the aged and the decrepit have had their fling at power, he appears to have decided that total silence is no longer necessary, that a vacuum has to be filled. Very interesting!

Urgent Issues Side-Stepped

However, leaving aside this interminable speculation on leaders and followers, we continue to marvel at the incredible capacity of the ruling leadership to side-step urgent and crucial issues. The food shortage was dealt with at AICC level as if the full mobilisation of the party is unimportant in tackling the crisis. The floods which now threaten to destroy the *kharif* crop in the north-west and to prevent the *rabi* sowing did not even find a mention in the proceedings. The political paralysis in Uttar Pradesh and Punjab, which is now likely to overtake Orissa, Madhya Pradesh and Bihar, was not sought to be analysed although it is widely feared that very soon we will not know where power resides in these States.

When the local wags call Lal Bahadur, 'Lull' Bahadur, they are not being wicked. There is exasperating listlessness at ministerial, secretariat and party level, too much meaningless talk about 'consolidation', about the need for 'a pause', about 'realism' and 'pragmatism'. To the average man, all this is so much phrase-mongering. Indeed, the wags are even talking of the lull before the storm—although the tolerance and patience of our long-suffering people is now proverbial.

So deep is the apathy that when someone like Jayaprakash Narayan initiates controversial, and often contradictory, proposals on the subject of our undemarcated borders, there is an attempt to muffle him even before he has had a chance to explain himself. His well-attended meeting at Sapru House was heavily guarded by police, plainclothed and otherwise, who obviously expected an attempt to disrupt it. This is the danger. No effort is being made to engage in healthy debate on crucial questions—and the initiative in this kind of atmosphere usually passes to the mobsters who want to solve problems on the plain of emotion.

Of course, JP kindles the wrath of many because he attempts to combine an untenable dual role: propagator of unorthodox views within India and a negotiator on behalf of India abroad. What needs to be made clear to JP is that he has every right to indulge in his fancies within India, but he has no right to assume the role of spokesman abroad. He is exploiting (I use the word deliberately) his closeness to Shastri, and his activities *abroad* as so-called conciliator can only do damage.

Confused Conciliators

These conciliators are thoroughly confused and their policy stand is opportunist—as any study of the manner in which they have shifted position during the last two years will make clear. At one moment, they are marching into Tibet. At another, they are out for a deal on Aksai Chin. Privately, they speak of handing over the Kashmir Valley to Pakistan. Publicly, they talk of moratoriums and condominions. These dramatics a democracy must tolerate. But if the dramatics are projected abroad and sought to be used to confuse foreign governments, then it is time that Delhi made it clear that it has nothing to do with the performance.

I say this because a rather suspicious attempt is being made to give JP's

* This was intended for publication in the issue of September 5 which did not appear because of a strike in our press.

Driving on wet, slippery roads is as dangerous as stepping on a banana peel. Avoid skidding by taking these simple precautions.

- **See that your tyres are in good condition and always at correct pressure.**
- **Drive more slowly and smoothly on wet and slippery surfaces.**
- **Don't brake, accelerate or turn sharply.**

Never brake sharply in a skid. Leave the clutch engaged for better control of your car through the engine.

If however your car does skid, here are a few points to help you control it.

REAR WHEEL SKID. Remove your foot from the accelerator and turn front wheels into the skid. e.g. If the rear of the car swings to the left, steer left. Then steer in the desired direction, and gently accelerate.

FRONT WHEEL SKID. Remove foot from accelerator. Straighten the front wheels.

FOUR WHEEL SKID. Release brakes at once to allow free rolling of wheels. Then apply brakes gently, gradually increasing pressure, to avoid wheels locking again.

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visit to Pakistan the trappings of a semi-official mission. The story has been published that JP has been 'briefed' by the Ministry for External Affairs. If this is correct then Rawalpindi will naturally assume that JP has some kind of governmental backing—and we will soon be busy dissociating ourselves from the activities of the conciliators. Diplomatic observers just cannot understand what goes on these days in the Capital.

Perhaps, as soon as Parliament meets we will be able to get an idea of the mind of the Shastri government on many issues. Stormy sessions are expected. Members of Parliament have been nursing a genuine grievance: many feel that there should not have been this long delay in summoning Parliament, that a special session should have been arranged earlier to discuss the crisis facing the country. Now, there is every likelihood that routine matters will intrude upon urgent issues.

What's more, the repercussions of the judgment of the one-man tribunal in the matter of the parliamentary election from the Gonda constituency in Uttar Pradesh are likely to be far reaching. A tightly controlled net of fraud and corruption has been unearthed concerning the election of the Kanpur industrialist Ram Rattan Gupta. Apart from the effect on UP Congress politics, the demand will rise that steps be taken to ensure against such grave breaches of rules and procedures in future. That the cosy satisfaction over the workings of our election system should be punctured at this juncture, when there is so much despair about corrupt practices, means that unless the strongest action is taken against all those involved in the Gonda scandal the democratic system itself will come into disrepute.

The sooner the GOI acts the better. And in all directions. Only then will we be able to hope that the air will be cleansed of the smell of decay.

(September 2, 1964)

Letter to Editor

The Age of the Commoner

I DO not really know what "ominous symptoms" Shri Balandranath Nandy sees in his letter to you, published under the title, "The Age of the Commoner" in your issue of the August 29. Ominous symptoms in columnist Romesh Thapar? Or in *The Economic Weekly?* Or of the times? Judging by his concentration on Thapar one can only assume he sees these symptoms in Thapar. One rather suspects that all he is saying is that Thapar is not as exciting reading for him after Nehru. But how long can we live and enjoy reading eloquent passages in the moving last days of a falling titan? Surely, not for long after the fall? If Thapar cannot continue to unfold "new dimensions" to usher in an egalitarian, humanist society, it is only because we cannot expect every new Prime Minister or Government to provide "stupendous" new productions like Cecil De Mille for columnists to write about.

As a close reader of Thapar I see nothing ominous, nothing as portentious as all that. I see only the possibility and a hope of a transition and an adaptation: the transition from an all-embracing passion for coherence in all things all the time, and an adaptation to the simple idea that life is not coherent but patchy, untidy, given only to short spells of clarity or vision between long interludes of confusion, of blurring, illogicality. One may also hope for a better appreciation of the mark of the most successful men and the most successful policies, pragmatism, even though at times it may not seem coherent intellectually or ideologically. But for coherent forms let some contend, "what works best is best".

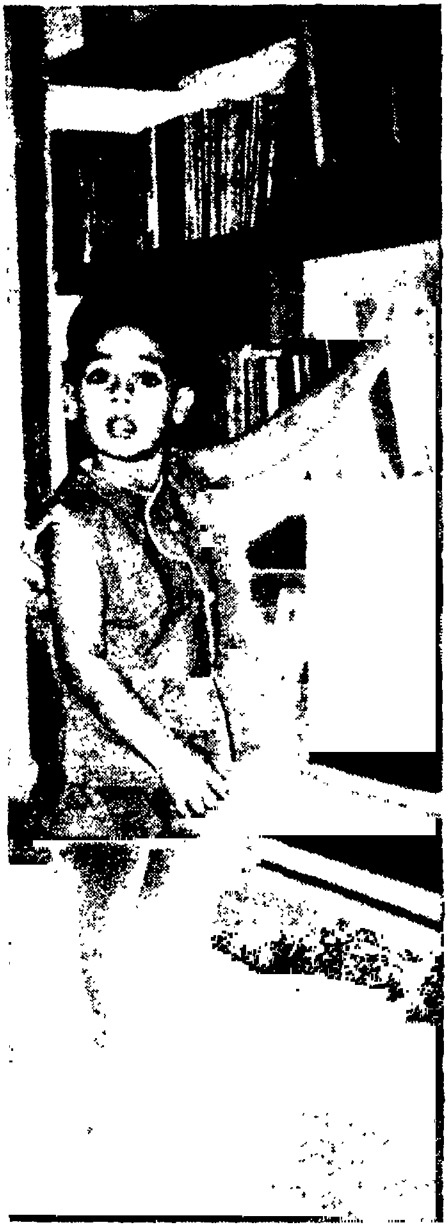
Men wear words like badges, and Romesh Thapar's unmistakable badge has been "coherence". He has demanded coherence in thought and in action in article after article, in subject after subject, the intellect's will-o'-the-wisp in the practical politics of life. Of course, he was disgusted with those other two pet aversions of his, "amorphousness" and "ambivalence" even before Nehru's death but that undeniable passion for coherence saw it only in Nehru's vision of things and was half content to live happily with it even when his strong commonsense told him the reality was an incoherent jumble of practices; a co-existence of all manner of fish, flesh and fowl. Neither before nor after Nehru was he a lover of the common man if he was commonplace; nor of a democracy which fumbled or corrupted; nor of leaders who did not know their minds or had none of their own. None of this is new or post-Nehru in Thapar.

It may, however, be possible to detect through Thapar's post-Nehru writings an accentuation of the earlier malaise of the intellectual elite when its *prima donna* has gone; when its psychological need for charisma cannot be satisfied; when the loss of an ideological vision, even one tempered with co-existence and secular tolerance, is like the loss of regimental colours; when bold purpose seems to get lost in the meandering ways of pragmatism. When all this happens while little men ride elephantine organisations, neither adorning the howdah nor controlling the elephant, the intellectual elite, of which Thapar is a member, begins the more readily to show signs of despair. They have not the staying power of the less coherent minds which are more accustomed to less clear-cut mental worlds. Since the aristocratic Nehru no longer provides the image sought, Thapar sees around him in Delhi and the States neither Stuart elegance, nor a virile Bevanite democracy, and he demands, Cromwell-like, that the baubles which our parliamentary leaders toy with are taken away. It may be that he is not quite right about many things and wrong about some, but he is absolutely right about one thing; and that is the need for strong and courageous leadership among politicians and bureaucrats, especially in a democracy like our's where time alone solves no major problems. There are too few Indian columnists who say this so well, though Thapar might care to distinguish between different kinds of strengths, tensile and static, not the best of which is Cromwellian.

In conclusion one might ask: what should one expect of a good columnist? Whatever else, one thing certainly; that he has the capacity to stir the public conscience when others lull it, and that he does it with insights and far-sights in the interpretation of contemporary affairs not given the governors or the governed in their day to day preoccupations. He has to record the true pulse of the time, and yet rise above public passion or complacency to touch just those intellectual and emotional chords which make a people give of their best. In so doing he can be diagnostician, but not physician, for that is the job of social organisations, of which government is one. Essentially, he should be the motivator of other motivators.

A D MODDIS

New Delhi,
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Book Review

Planning and Demand Theory

A K Dasgupta

Demand Theory and Economic Calculation in a Mixed Economy by H K Manmohan Singh; George Allen & Unwin Ltd, London. pp 134, price 21 s net.

SINCE the advent in the post-war period of the theory of growth as an offshoot of Keynesian aggregative analysis concerning output and employment, the theory of value, and consequently demand theory, has lapsed into comparative neglect. The contribution to this part of economics in recent years is indeed insignificant as compared to the economics of employment and growth. This is particularly true of the development of economic analysis in a country like India where economic studies over the last ten years or so have grown almost exclusively round planning and economic development. Not that these studies have been always confined to aggregates. Considerable work has been done in India on sectoral relationships in the economy in connection with planning. But the relationships analysed are of the nature of technological ratios which can be subjected to operational tests—input-output analysis, for example. The traditional theory of value which runs in terms of propensities and preferences of individual consumers and firms has received rather small attention.

Yet, whatever the general outlook of economists in the country may be, in the economics syllabi of various Universities the theory of value, with its constituents, the theory of demand of the individual consumer and the theory of costs of an individual firm, still occupies a central position. And here the traditional method is pursued of referring back to the behaviour of buyers and sellers and of *explaining* the market phenomenon of price in terms of this behaviour.

Dr Manmohan Singh's book is a useful summary presentation of this method, in respect of one aspect of the theory of value, namely Demand, and its possible extension to the economics of an underdeveloped country which is in a state of transition from capitalism to socialism and is thus characterised by a growing public sector, and where planning is the major instrument of structural transformation.

Part I of the book is somewhat textbookish, although it will certainly prove useful to students of our Universities who are interested to know the main lines of development of the theory of demand. Since Cournot gave a theory of the market showing the price-quantity relationship of commodities which ran in terms of a downward sloping demand curve, attempts have been made by generations of economists to explain *why* the demand curve behaves in the way it does. First, the marginal utility approach in its various forms; then the "indifference" system, and finally what is known as "revealed preference".

Different Approaches

Dr Singh gives a summary of these various approaches, bringing out the strength and limitations of each. The marginal utility approach has the virtue of simplicity, although "of the immense number of variables jointly determining the demand for a commodity it considers only one". The indifference curve approach takes into account more variables, yet in so doing it "gets complicated". The revealed preference approach, on the other hand, is "pedestrian" and is based on assumptions which are "arbitrary". While these are broad assertions of our author on these approaches, the text takes the reader through the various minute criticisms that they have been subjected to from time to time by other economists. Students of demand theory will benefit from this summary, while perhaps wondering where they will turn for a "true" explanation of demand as it expresses itself in the market as a price-quantity relationship and what the need for such an explanation might be.

Theories are a kind of explanatory hypotheses and are "true" or "false" according to their suitability and coverage as a guide to the understanding of the behaviour of observed phenomena. In the older version of the marginal utility theory (the Jevonian version, for example) there used to be a tendency to identify demand (or value) with marginal utility in very much the same way as Marx would identify value with labour. It could thus be dismissed on this ground alone. For, to say that the marginal demand price is equal to marginal utility is an assertion and not quite a theory.

In the more sophisticated Marshallian version, demand is no doubt a derived concept—derived from the marginal utility of a good and the marginal utility of money. Yet, as is well-known, its weakness lies in the assumption of constant marginal utility of money which limits its applicability. The limitation, one must remember, is factual and not logical. It is indeed doing less than ordinary justice to Marshall to say, as our author does, for instance, that there is a "gallant inconsistency between Marshall's assumption of constant marginal utility of money and his *ceteris paribus* clause" (p 34). For Marshall did know, as any schoolboy would, that with money income constant, an increase in expenditure on one commodity must necessarily be accompanied by a decrease in expenditure on other commodities taken together. What he really assumed was that the decrease in expenditure on *each* of the other commodities would be so small that their *marginal utility* would remain more or less unaffected. The fact, however, is that proceeding from this assumption he had to leave out the so-called "Giffen case" as an exception.

One of the achievements of the modern "preference" approach to the demand theory, whether couched in terms of weak ordering or strong ordering, is, as Dr Singh recognises, to have shown the way to separating out the income effect from the substitution effect and thereby to have demonstrated the possibility of perverse demand curves, covering the Giffen case. One would perhaps also claim on behalf of the new approach that it has brought demand theory closer to econometrics, particularly in the macro (dynamic) context, where the income effect assumes special significance. Whether, however, it has thrown light on the link between demand theory and "welfare"—to which unfortunately there is only some casual reference in the book, although the traditional purpose of demand theory was to establish just such a link—is yet an open question.

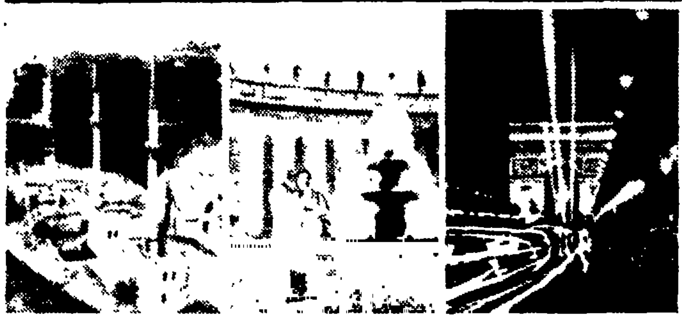
Part II of Manmohan Singh's book is concerned with the policy implications of demand theory. Its purpose is to examine the role of demand in the allocation of resources in a so-called mixed economy, planning for rapid economic development.

It is here that our author is supposed to have broken new ground; indeed



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chapters 6 and 7 of the book show evidence of painstaking research. And yet his approach is not clear on the controversial issues that the question raises. For here again, like a schoolmaster, he takes "both sides" into account and leaves the reader in doubt as to where his own sympathies lie.

By and large our author relies for planning of resource allocation on the pattern of demand as expressed in the market. The very fact that a market exists, he argues, compels acceptance of the price system as a guide to the allocation of resources—particularly when the economy is in an advanced stage of development and permits ramifications of consumers' demand. The need for "economic calculation" is reinforced by the importance that foreign trade assumes in these economies.

These propositions are unexceptionable, but difficulties arise when he goes further and asserts a normative criterion in terms of adherence to consumers' demand, while conceding that a planned economy needs to control consumption. "It is obvious", he says, "that in a system that does not make use of demand prices there must be a large element of arbitrariness. Such a system is bound to be susceptible to gross divergencies from the 'ideal distribution' of resources" (p 103). And yet at the same time he contends that allocation of resources between present consumption accumulation in a planned economy cannot be left to the market, that consumers' choice may sometimes be irrational, even erratic, and further that allocation on the basis of market demand discriminates in favour of the rich.

Task of Planning

Now, once these limitations of the normal working of the price system are recognised, what, one may well wonder, remains of the sanctity of demand-based allocation of resources? Our author does not seem to be clear on this issue and is found to quote Pigou and Robbins in the same breath! Can it be that his heart is in planning and control, while his academic training is in the old liberal tradition?

Surely the task of planning in an under-developed economy is to force people to accept a scheme of resource allocation which, given freedom of choice, they would not follow. This applies not merely to the choice between consumption and investment but also between different types of consumption. For what is planning if it is not a process of shifting resources away from commodities which do not serve as "means of production of commodities" to commodities which do so? To what extent this process of shifting can be and should be carried is itself a problem of choice on which different societies will perhaps give different verdict.

This does not mean that the pattern of production is to be altogether divorced from the pattern of demand. But it does mean that the market demand loses its original significance as an expression of the *free* choice of consumers; to the extent that the allocation of resources is centrally planned, it is demand that is made to follow the pattern of production, rather than the other way about.

Role of the Market

The re-adjustments called for may be done through direct taxes on income or through commodity taxes and subsidies; it may also be done through a system of rationing. These devices are just orders of state interference, whose use in a particular context depends upon administrative suitability and perhaps also upon the extent to which planning is pursued. If rationing comes lowest in the order, it is because it leaves potential demand out of line with outputs of relevant commodities and hence tends to prolong the need for interference. It is an illusion to think that the other devices, just because they accord with the rules of market equilibrium and just because they resemble the normal operations of a state, are not also deviations from the free choice of consumers. Planning does destroy the pristine glory of consumers' demand. Yet who would say that it necessarily means also a deviation from the "ideal distribution of resources"? If your economist insist on the functioning of the market and the price system even in a planned economy, as surely he does, it is because it makes for an *orderly* distribution of resources, and because, within the constraints set by the Planning Authority, it makes 'economic calculation' a feasible proposition.

One last comment. Assessing the limitations of the traditional demand theory, our author argues that it fails to take account of price control on the one hand and the state's preference on the other. One would find it difficult to see why demand theory as such should need modification in view of these so-called new variables.

The state's preference in a planned economy, which is essentially a political decision, ruptures, as we have seen, the preference system of individuals by preventing them from acting in the way they would, if left free. The structure of incomes of individuals is disturbed and the framework of prices is altered. Yet these are only changes in data; there is no reason why consumers may not react to the new system in the manner postulated in the demand theory.

As for the institution of price controls, our author seems to put his emphasis at the wrong end. As he rightly says, price control necessarily leads to rationing. Is it not *because* consumers react to price in the way demand theory suggests that the institution of price controls is found to create disturbances in the economy and necessitates rationing as a supplementary measure? Far from price controls being a factor upsetting the assumptions of demand theory, they rather provide a test of the validity of demand theory.

There are two obvious slips in Chapter V, Sec VI, p 94, to which, before I conclude, I should draw the attention of readers.

> "As the accumulation of capital was singled out as the most potent factor of growth, it follows that for such an accumulation to take place at a growing rate, *per capita* incomes cannot grow except marginally."

Obviously what is meant is "*per capita* consumption" and not "*per capita* incomes".

Again:

> "This means that consumer goods sector will grow relatively to the producer goods sector".

Apparently some word, possibly "less", is missing in between "grow" and "relatively".

Sugar Production

SUGAR production in the month of July 1964, was about 9,000 metric tons as against 5,000 metric tons produced last season during the corresponding period, according to the Indian Sugar Mills Association. This brings the total production till July, 31 1964 to 25,12,000 metric tons as against 20,98,000 metric tons during the corresponding period last season.

The off-take of sugar from factories during the month of July 1964 (including 4,340 metric tons despatched for exports) was 1,98,000 metric tons as against 2,40,000 metric tons during the corresponding period last season.



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Growth of Population in India: 1961-81

K C Taneja

Early in 1959 the Central Statistical Organisation had made a series of estimates of population growth, covering the Third, Fourth and Fifth Plans, which were accepted, pending the 1961 Census, as a working basis for the preparation of the Third Plan. These estimates now need revision, consequent upon the publication of the detailed age and life tables based on the 1961 Census data.

An attempt is made here to present estimates of the population of India for the period 1961-81, at quinquennial intervals, on the basis of the 1961 Census figures and data collected by the National Sample Survey.

THE need for estimates of population at future dates is obvious in the context of a developing economy like India's. Although an Expert Committee made such estimates in 1959, these need revision, consequent upon the publication of the detailed age-tables and life-tables based on the 1961 Census data. An attempt is made here to present estimates of Indian population upto 1981 at quinquennial intervals, on the basis of certain assumptions about the components of population-growth. Since the data on vital subjects like births and deaths collected by the official agency of Registration in India has been found to be subject to errors to an unknown extent, certain assumptions have been made regarding the trends in the components of the rates of growth of population on the basis, mainly, of census data and current data thrown up by all-India Surveys like the National Sample Survey.

Data and Assumptions

International migration into India may be considered insignificant during the two decades after 1961. Although there are reasons to believe that International migration from East Pakistan and other countries to India may become somewhat pronounced in the years to come, in the absence of data depicting the trends of such migration, it is considered best to assume that the growth of population in India during 1961-81 would be only natural, i e, it would result only from births and deaths.

For working out any population projections, a detailed sex age-distribution at a particular point, especially as on a recent date, is essential to provide the bench-mark or base data for projections. Since 1961 Census data are available now in sufficient detail regarding sex and age-distribution, the age distribution as worked out by 1961 Census Actuary will be taken as the base data for projection in this paper. It now only remains to make plausible assumptions about the future trends in the two components of growth, i e, births and deaths.

In making assumptions about future events it will be realistic to base them on the experience gained in the immediate past. Besides, it may also be desirable to profit by the experience of countries which passed through similar stages of demographic transition as India at present appears to be going through. Data on death and birth-rates in India at the national level during the immediate past are available mainly from two agencies. One is the Life Tables for the period 1951-61 worked out by the Census Actuary and the second is the National Sample Survey which has been collecting these data almost ever since its inception during its various rounds. It may be particularly noted that data on births and deaths collected by the National Sample Survey from its 14th round onwards are based upon relatively larger samples and since the survey-period was staggered over one year such staggering may thus have minimised the effect of seasonal factors.

'Component Method'

Since the estimates of population are required for planning education, employment, social security and various other aspects of development, it will be desirable to give estimates in as much detail as possible. In this paper an attempt has been made to give these estimates by sex, by quinquennial age-groups at five-yearly intervals, coinciding with the end of the Plan periods. The method adopted in this paper is known by the name of the 'component method'. In the component method the main task is to make assumptions on future trends in age-specific mortality rates and on future trends of fertility rates.

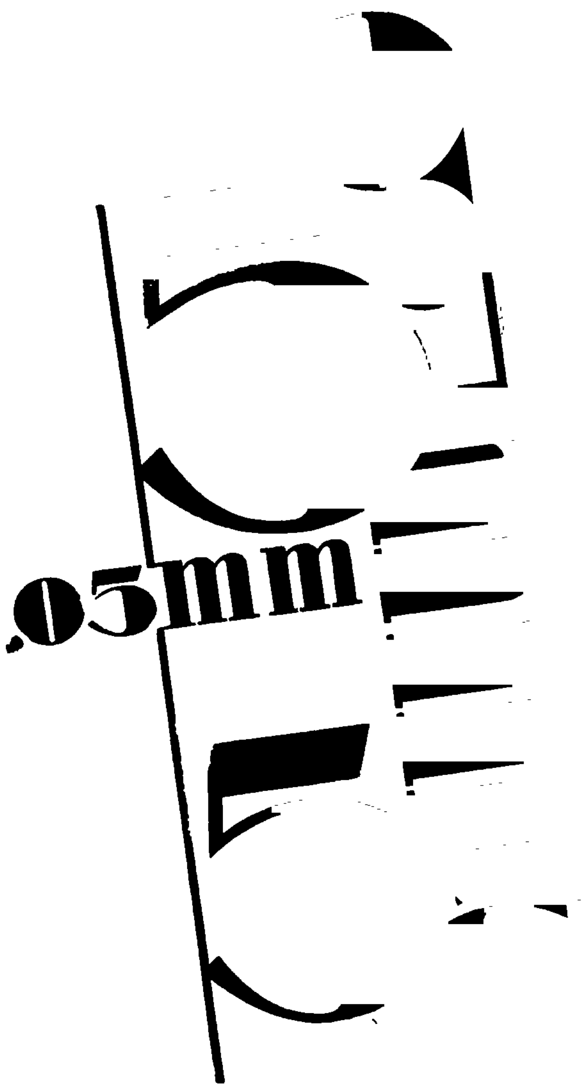
It has been found that the death rate has fallen from 27.4 per thousand as calculated by the Census Actuary to 17.1 per thousand as estimated from the National Sample Survey data during the period 1946-1958. In other words the death-rate has fallen by 3.1 per cent per annum during the 12 years 1946-58. The average annual rate of increase in the expectation of life at birth was also 3.1 per cent as worked out from the data on expectation of life at birth given by the Census Actuary for the two decades 1941-61. This leads us to believe that for sometime to come it will not be unreasonable to assume that the rate of fall in mortality may be directly proportional to the rate of increase in expectation of life at birth. On the basis of the experience of fall in death rates in countries like Ceylon, Japan, Phillipines and Argentina which had, not very long ago, gone through more or less the same stage of demographic transition as India at present is going through, in regard to mortality, it is assumed the death rate will fall to 12 per thousand by 1981, i e, the death rate would fall by 38 per cent between 1956-1981. Since expectation of life at birth as centred at 1956 has been worked out as 41.9 years by the Census Actuary from the Census data it is reasonable to presume that expectation of life at birth would also go up by 38 per cent during 1956-81, i e, expectation of life at birth would be around 57.8 years in 1981. The assumption about expectation of life at birth has been made use of, in arriving at quinquennial estimates of population by sex, in the manner described.

Life Tables

The age-specific mortality rates as observed in the U N Model Life Tables with expectation of life at birth at 57.6 for males and females in 1981 have been matched against the corresponding mortality rates of U N Model Life Tables whose expectation of life at birth were identical with those that have been observed from the Indian Life Tables for the period 1951-60. The rates of fall in the age specific mortality rates of the two U N Model Life Tables with 41.2 and 57.6 years as expectional life at birth have been applied to the age specific mortality rates of the latest Indian Census Life Tables which are centred at 1956. Before doing this a pair of abridged life tables—one for males and the

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other for females—giving mortalities for five-yearly age groups have been prepared from the single-year age Indian Life Tables prepared by the Census Actuary. This resulted in the age specific mortality rates that might hold-good for India at 1981. A linea interpolation was then made to arrive at columns of age specific mortality rates one each for males and females, which would be valid for the mid-points of the four five-year periods starting from 1961. With the help of these mortality columns life tables were prepared separately for males and females centred at the mid-points of the periods 1961-66, 1966-71, 1971-76 and 1976-81. The survival ratios as obtained from these life tables were then grafted on to the age sex distribution of the 1961 population resulting in the five-yearly surviving population at 1966, 1971, 1976 and 1981.

Estimates of Population

As regards births that would occur and survivals thereof, after 1961 it was felt that the state of trends in general fertility rates may not possibly be indicated as precisely as desirable, because the data on births and survivals thereof have necessarily to be based upon either registration or sample surveys and such data have not been found to be adequately precise. Further, a large part of net under-enumeration in the 1961 Census might have been in the younger age-groups concentrated particularly in the age group 0.4. Census data leave much to be desired while making reasonable estimates of general fertility rates based upon them. It has been decided, therefore, to study the ratios of the number of women in the reproductive age group which in India is considered to be 15-44 years. Such ratios have been worked out for 1951 as well as for 1961. For 1951, the data of the age-distribution of population as given in the paper entitled "Population Projections Pending 1961 Census for Use in the Preparation of the Draft Outline of the Third Five Year Plan" published in the December 1959 issue of the *Monthly Abstract of Statistics*, and, for 1961, the Census age-tables have been used. It has been found that the ratio has increased from 0.34 to 0.40 for male children and .33 to .39 for female children during the decade 51-61. Since the effective public health measures have been or are being implemented to eradicate diseases such as Malaria, etc, and these may result in appreciable fall in mortality in the tender age group, the survival rates of infants and children may increase during the two decades under consideration. But such an increase may also be more or less counter-balanced by the possible decreases in birth rates on account of intensive implementation of the programmes of Family Planning which may get added fillip during 1966-81. It is assumed further that the fall in infant and child mortality and the fall in birth rates resulting from intensification of Family Planning Programmes would so balance each other that the ratio of children in the age group 0-4, to the number of women in the reproductive age group may remain the same throughout the two decades 1961-81 at its 1961 level, i e, .40 for male children and .38 for female children.

On the basis of the above assumptions about mortality and child-woman ratio, estimates of population of India, by sex/by quinquennial age-group have been arrived at, for the years 1966, 1971, 1976 and 1981. The detailed estimates are given in Annexure I (See p 1487).

An attempt has been made in the following paragraphs to study some of the salient features of the population

Table 2: Rate of Growth of Population

	Percentage Increase over 1961	Average Annual percentage Growth of Population during the Quinquennian
	(1)	(2)
1966		
Male	11.10	2.22
Female	11.44	2.29
Persons	11.27	2.25
1971		
Male	24.53	2.42
Female	25.48	2.52
Persons	24.99	2.47
1976		
Male	40.88	2.63
Female	42.77	2.76
Persons	41.80	2.69
1981		
Male	60.75	2.82
Female	64.03	2.98
Persons	62.34	2.90

Table 3: Sex-Ratio

Period	Sex-Ratio
1961	106.3
1966	106.0
1971	105.5
1976	104.9
1981	104.2

Note: Sex-ratio is the number of males per hundred females.

Table 1: Population of India During 1961-81, by Sex and Broad Age-Groups

(In million)

	AGE-GROUP			
	0—14	15-64	65 & above	All Ages
	(1)	(2)	(3)	(4)
1961				
Male	91.62	127.97	6.22	225.81
Female	88.45	117.42	6.59	212.46
Persons	180.07	245.39	12.81	458.27
1966				
Male	104.08	140.17	6.64	250.89
Female	100.84	128.78	7.14	236.76
Persons	204.92	268.95	13.78	487.65
1971				
Male	118.29	155.60	7.31	281.20
Female	114.73	143.99	7.88	266.60
Persons	233.02	299.59	15.19	547.80
1976				
Male	134.28	175.59	8.25	318.12
Female	130.47	164.00	8.89	303.36
Persons	264.75	339.59	17.14	621.48
1981				
Male	153.85	199.65	9.50	363.00
Female	149.82	188.38	10.30	348.50
Persons	303.67	388.03	19.80	711.50

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as estimated for the period 1961-81 As may be seen from Table 1, the population has increased from 438 million in 1961 to 712 million in 1981, the population of males having increased by over 137 million and that of female by 136 million.

Table 2 shows the growth rate during the period 1961 to 1981. The table shows that by 1971 the population would have increased by 25 per cent and by 1981 by 62 per cent. The average annual growth-rate of population shows a consistently increasing trend over the four quinquennial covered by 1961-1981, having registered an increase from 2.25 in 1961 to 2.90 in 1981.

Density per sq km will increase from 134.0 in 1961 to 167.5 in 1971 and 217.6 in 1981.

The trend of the sex ratio, which is the number of males per 100 females, as used here appears to be in favour of females. It has declined from 106 to 104 during 1961-81. This may be attributed to the relatively higher fall in female mortality rates during the period under consideration.

Age Distribution

Table 4 shows the relative position of population in the age groups 0—14 years, 15—64 years, and 65 years and above by sex. It is found from the table that the young age-group will improve its position vis-a-vis mainly the working age population; this having increased from 41.1 per cent to 42.5 per cent in 1971, and 42.7 per cent in 1981.

The increase has mostly come from the decline in the relative position of the working age population although there is a slight fall in the old age population too. Thus it is clear that the population is getting younger mainly because of appreciable fall in the child and infant mortality rates.

There is a noticeable declining trend in the percentage of working-age population to total population, as may be seen from Table 5. This may be due to the fact that the relative position of population in the younger age groups will be increasing on account of increasing survival rates in that group mainly due to the appreciable reduction in mortality among infants and children.

Table 6 shows percentage of population outside the age group 15-64 to the total population in the age group 15-64, known as the Dependency Ratio. It may be noted that this ratio will be increasing from about 79 per cent in 1961 to 83 per cent in 1981, which again accords with the fact stated earlier that the population in the younger age group, viz 0-14, will be increasing at a relatively faster rate.

With the introduction of measures for compulsory primary education, likely to be extended to middle education, likely to be extended to middle education and above gradually, an attempt has also been made to estimate the number of children in the various school-going age-groups. These projections may be helpful in formulating schemes in the field of education. The following age groups can be reasonably identified with various stages of school education as under:

I	6 10 years	Primary Education
II	11-13 years	Middle Education
III	14-16 years	Secondary Education

The ratios of the 1961 Census population in these age groups to the

Table 4: Percentage Distribution of Population in Broad Age-Groups

	AGE-GROUPS		
	0 14	15—64	65 & above
	(1)	(2)	(3)
1961			
Male	40.57	56.67	2.76
Female	41.63	55.27	3.10
Persons	41.09	56.60	2.93
1966			
Male	41.48	55.87	2.65
Female	42.59	54.39	3.02
Persons	42.02	55.15	2.83
1971			
Male	42.07	55.33	2.60
Female	43.03	54.01	2.96
Persons	42.53	54.70	2.77
1976			
Male	42.21	55.20	2.59
Female	43.01	54.06	2.93
Persons	42.60	54.64	2.76
1981			
Male	42.38	55.00	2.62
Female	42.99	54.05	2.96
Persons	42.68	54.54	2.78

Table 5: Working-Age Population (15-64), As Percent of Total Population

Period	Male	Female	Persons
1961	56.67	55.27	56.60
1966	55.87	54.39	55.15
1971	55.33	54.01	54.70
1976	55.20	54.06	54.64
1981	55.00	54.05	54.54

Table 6: Dependency Ratio

Period	Male	Female	Total
1961	76.46	80.94	78.60
1966	78.99	83.85	81.32
1971	80.72	85.15	82.85
1976	81.17	84.98	83.01
1981	81.82	85.00	83.36


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population the age group 0-14 were arrived at. It was assumed that these ratios would broadly hold good duing the whole period under consideration. On the basis of this assumption detailed estimates of population in these school-going age-groups have been worked out and are presented in Annexure II. It is estimated that the school-going-age population would increase from 113.6 million in 1961 to 146.4 million in 1971 and 190.8 in 1981 thus registering an increase of 29.4 per cent by 1971 and 68.6 per cent by 1981.

Implications for Education Programme

Assuming that by 1971, education upto the middle standard, and by 1981 upto the secondary stages is made compulsory, an attempt has been made to estimate the number of teachers required to man the schools and the minimum expenditure necessary. Analysis of the latest available data for 1960-61 gives teacher-pupil ratio as 1:36 and 1:31 for primary and middle schools respectively. Assuming that these teacher-pupil ratios would broadly hold good, it is estimated that the number of teachers required by 1971 would be 20.2 lakhs and 12.4 lakhs for primary and middle education and this number would increase to 26.3 lakhs and 16.2 lakhs respectively by 1981.

Similarly, assuming the 1961 teacher-pupil ratio of 1:25 for secondary education, the estimated number of teachers required for secondary education would be 18.4 lakhs in 1981. The total number of teachers required by 1981 for school education as a whole on the above basis would thus be 60.9 lakhs. As regards expenditure, again on the basis of analysis of 1960-61 data, it is found that the education expenditure per student is Rs 27.6, Rs 40.5, and Rs 91.7 respectively in the three different stages of education. Although with increasing stress on education and provision of more facilities the expenditure on education would increase, an attempt has been made to estimate the minimum expenditure required on education at various stages. As stated above, it is expected that by 1971 education upto the middle standard and by 1981 upto the secondary standard would be made compulsory. On the basis of this assumption it is estimated that the expenditure on primary and middle stages of education would have to increase from Rs 357 crores in 1971 to Rs 465 crores in 1981. The total re-

Annexure I: Population Projection, 1961-81

(In Millions)

	AGE - GROUP							
Population	*0-4*	*5-9*	*10-14*	*15-19*	*20-24*	*25-29*	*30-34*	*35-39*
1961								
Male	36.67	29.46	25.49	22.13	19.48	17.58	15.73	13.61
Female	35.80	28.47	24.18	20.85	18.47	16.69	14.59	12.11
Persons	72.47	57.93	49.67	42.98	37.95	34.27	30.32	25.72
1966								
Male	40.96	34.27	28.85	25.02	21.62	18.96	16.97	14.93
Female	39.92	33.13	27.79	23.72	20.37	17.93	15.88	13.51
Persons	80.88	67.40	56.64	48.74	41.99	36.89	32.85	28.44
1971								
Male	45.99	38.64	33.66	28.38	24.51	21.11	18.39	16.11
Female	44.84	37.42	32.47	27.33	23.26	19.86	17.19	14.88
Persons	90.83	76.06	66.13	55.71	47.77	40.97	35.58	31.69
1976								
Male	52.44	43.78	38.06	33.19	27.88	24.02	20.56	17.68
Female	51.13	42.53	36.81	32.04	26.89	22.78	19.19	16.30
Persons	103.57	86.31	74.87	65.23	54.77	46.80	39.75	33.98
1981								
Male	60.23	50.38	43.24	37.62	32.70	27.41	23.50	19.90
Female	58.73	49.09	42.00	36.43	31.64	26.46	22.18	18.41
Persons	118.96	99.47	85.24	74.05	64.34	53.87	45.68	38.31

	AGE - GROUP							
	40-44	*45-49*	*50-54*	*55-59*	*60-64*	*65-69*	*70 & above*	*All ages*
1961								
Male	11.55	9.66	7.82	6.04	4.37	2.91	3.31	225.81
Female	10.07	8.37	6.80	5.38	4.09	2.81	3.78	212.46
Persons	21.62	18.03	14.62	11.42	8.46	5.72	7.09	438.27
1966								
Male	12.61	10.42	8.42	6.51	4.71	3.11	3.53	250.89
Female	10.99	9.00	7.32	5.74	4.32	3.07	4.07	236.76
Persons	23.60	19.42	15.74	12.25	9.03	6.18	7.60	487.65
1971								
Male	13.96	11.51	9.22	7.13	5.18	3.43	3.88	281.20
Female	12.45	9.98	8.01	6.31	4.72	3.34	4.54	266.60
Persons	26.41	21.49	17.23	13.44	9.90	6.77	8.42	547.80
1976								
Male	15.30	12.90	10.33	7.94	5.79	3.87	4.38	318.12
Female	13.91	11.49	9.04	7.04	5.32	3.75	5.14	303.36
Persons	29.21	24.39	19.37	14.98	11.11	7.62	9.52	621.48
1981								
Male	16.85	14.30	11.74	9.05	6.58	4.43	5.07	363.00
Female	15.46	13.04	10.58	8.11	6.07	4.34	5.96	348.50
Persons	32.31	27.34	22.32	17.16	12.65	8.77	11.03	711.50

Annexure II: Estimated Population of School Going Age Children By Sex and Broad Age Groups

(In Millions)

	AGE - GROUP			
Population	*6-10*	*11-13*	*15-16*	TOTAL
(0)	(1)	(2)	(3)	(4)
1961				
Male	28.58	15.29	14.04	57.91
Female	27.54	14.49	13.22	55.25
Persons	56.12	29.78	27.26	113.16
1966				
Male	32.46	17.37	15.95	65.78
Female	31.39	16.52	15.08	62.99
Persons	63.85	33.89	31.03	128.77
1971				
Male	36.89	19.74	18.12	74.75
Female	35.72	18.79	17.15	71.66
Persons	72.61	38.53	35.27	146.41
1976				
Male	41.88	22.41	20.57	84.86
Female	40.62	21.37	19.51	81.50
Persons	82.50	43.78	40.08	166.36
1981				
Male	47.99	25.68	23.57	97.24
Female	46.63	24.54	22.40	93.57
Persons	94.62	50.22	45.97	190.81

curring expenditure on education in 1981 being Rs 886 crores including that on secondary education which, it is hoped, would become compulsory by that time.

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Forward Markets in Conditions Of Short Supply

M G Pavaskar

In a developing economy, which has not discarded the market mechanism, the uses of forward markets far outweigh their abuses, even under conditions of short supply.

When supply is inadequate and demand is strong, a rise in price is inevitable whether a forward market exists or not. The closure of the forward market in such circumstances not only will not give any relief, but is likely to reinforce the rise in price owing to a possible hectic scramble for the available supplies in the absence of any hedging medium.

On the other hand, if forward markets are operating, effective curbs could be imposed through the levy of special margins or through fixation of limits on trading and open interests. As a result it would be possible to reduce the elasticity of futures prices so that the stabilising influence of forward markets could be brought to bear on ready prices, while retaining the forward markets' function as effective hedging media and reliable barometers of the trend of market forces.

COMMODITY futures markets are institutions designed by the free market economies for facilitating transfer of risks flowing from price uncertainties which cannot be covered by any other means of insurance. Such markets exist mostly in agricultural commodities which are grown seasonally, but are sold round the year. It follows that the bulk of hedging on forward markets take the form of 'sales' against accumulated stocks. The well-known Keynesian account of "normal backwardation" in forward markets relies for its validity on this hypothesis. But the prevalence of 'short' hedges also presupposes the existence of conditions of surplus supplies and scare of price fall. Perhaps this fact explains the rapid growth of forward markets in many countries of the world during the latter half of the nineteenth and the early twentieth century, when commodity markets were marked by repeated fears of cyclical depression.

In India under inflationary conditions and with supplies from agriculture falling far short of demand, serious doubts have been raised about the utility of forward markets. It is, therefore, proposed to examine in this article, both theoritically and empirically, the utility of forward markets under conditions of short supply.

Perfect Market: A Condition

Forward markets do not exist in all commodities; only those that are capable of attracting adequate speculative activity are favoured for trading in "futures". The existence of a 'perfect' market in a commodity is by far the most important pre-requisite for speculation. This condition is satisfied by commodities, the supply of and demand for which are (i) large, (ii) uncontrolled and (iii) uncertain. Large supply and demand promote a continuous and orderly market, and prevent any individual or individuals acting in concert from getting a dominant hold on it. Secondly, effective control--by a governmental body or a private agency—over either the supply of or demand for a commodity reduces the futures market in it to a farce, as the price of such a commodity could be raised or reduced at the will of the controlling authority. Finally, if supply and demand are both certain or capable of being determined in advance, prices automatically adjust to changes in either of them, without the intervention of any organized market machinery. It is, therefore, only when the supply of and demand for a commodity are large and both uncontrolled and uncertain that the interplay of diverse economic forces brings about continuous fluctuations in prices, attracts speculation and paves the way for the establishment of a successful futures market.

Shortage of Supply No Bar

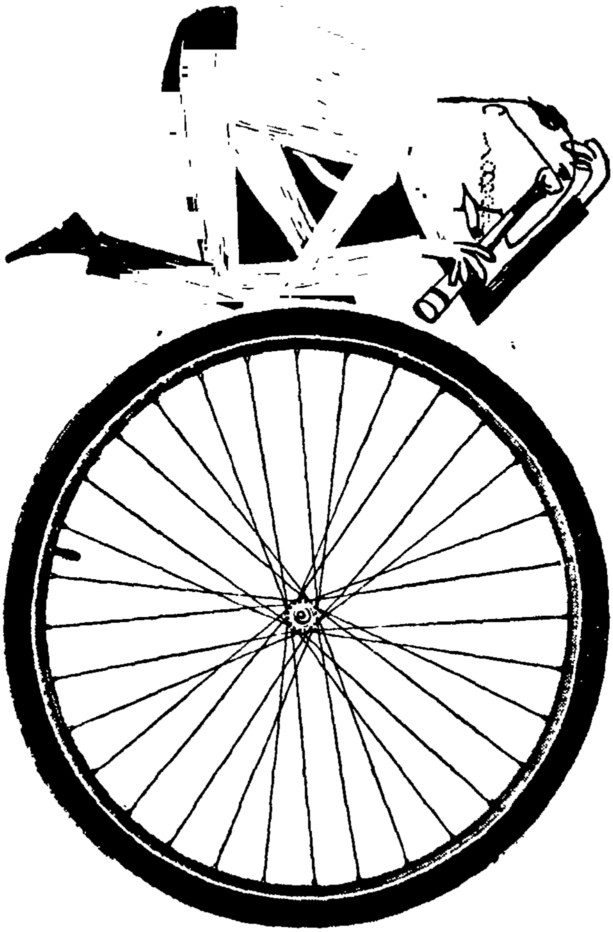
But is surplus output of a commodity also a necessary pre-requisite for futures trading? The reference to 'large' supplies in the preceding paragraph does not imply that supplies have to be larger than demand. What is necessary for the successful organization of a futures markets is that the supplies of the commodity selected for futures trading should be large enough in the absolute sense so that no section of the trade can easily lay hands on all or substantial portion of the marketable surplus in it and hold the market to ransom. In fact, the need for the element of 'uncertainty' in supplies clearly visualises the case for futures trading in a commodity which faces years of both serious shortages as well as abundant supplies. It is only then that a futures market—on which are focused the present as well as prospective forces of supply and demand —acts as a prime regulator of consumption, adjusting the needs of the community to availability of supplies. It is manifestly clear that so long as the free market mechanism has not been displaced as the medium of the allocation of supplies, a futures market remains, wherever possible, the only suitable method of adjusting consumption to supplies. In theory, therefore, there is sufficient economic justification for opening futures markets in commodities facing shortages so long as appropriate measures are taken by the authorities in charge of such markets to prevent the growth of manipulations and corners on the exchanges. In fact, the danger to the market from the anti-social practices of manipulations and corners exists even when futures trading is permitted in commodities with large 'surpluses', though the danger then operates on another side of the market and from the opposite section of the trade.

The economic functions of a futures market are usually summarised under two broad heads, viz, (i) the hedging function, and (ii) the market-making function. The hedging function offers the services of insurance to the trade against the risk of adverse price variations, while the market-making function (consisting of accurately recording the prices to the prospective conditions of supply and demand) facilitates smooth distribution of goods from the stage of production to that of the ultimate consumption.

The Need for Hedging

In a steadily rising market, the need for hedging is most acutely felt by the exporters and the forward sellers. In this country, in a number of commodities such as jute goods, oilseeds and their products, pepper, raw-cotton etc, export sales are often made 1 to 3 months or at times even as many as 3 to 6 months in advance of the actual shipments. Locally, forward

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sales of oilseeds, oils as well as oil-cakes or of raw-cotton, raw-jute, etc, are also frequently made to the organised sectors of industry nearly 6 weeks to 3 months prior to their eventual fulfilment by delivery. It is apparent that in all such cases, the forward sellers—exporters or inland sellers—assume considerable risks in respect of both the availability of the commodity and its prospective price, unless they are in possession of the commodity or purchase it forthwith from the ready market. Whenever, therefore such forward sales are effected either in the local market or for export, the sellers invariably find it convenient to hedge them through purchase of an equivalent quantity of futures contracts whose maturity coincide most nearly with the period of consummation of the actual sales. Later, when they buy the ready commodity to meet their forward commitments, the hedges in the futures markets are removed by liquidating the futures contracts.

Its Extent

Of late, the need for effective hedging by exporters has assumed significance in view of the importance of export promotion in our economic policies. During the last few years, the Government has deliberately boosted exports of a number of agricultural commodities and their finished products, especially oilseeds and oils, even at the partial cost of domestic consumption. As a result, the internal price levels of these commodities have become vulnerable to marginal changes in their output. On the other hand, as the international markets in primary commodities have swung in favour of the buyers, the profit-margins of the exporters are apt to be small. In these circumstances, an exporter will generally not prefer to bind himself to deliver abroad months hence without seeking a prior hedge against the possibility of either his commodity advancing in price locally, or the sellers refusing to give him delivery. In so far as the organised forward markets provide against both these contingencies, they become a useful instrument of export promotion in commodities in short supply.

A study made by the present writer, on the basis of the available data, to ascertain the extent of hedging by export houses in some of the oilseed commodities and pepper for selected periods during the two agricultural seasons 1959-60 and 1960-61, revealed that nearly 25 to 50 per cent of the export commitments in the different commodities were hedged in the futures markets[1]. It will be apparent from Table I (which has been taken from the aforesaid study) that the actual export commitments in respect of which hedges were sought in the futures markets, either wholly or partially[2], were fairly large, especially in H P S groundnut and linseed oil and also to some extent in pepper and groundnut oil compared to their total shipments during the period.

The proportion of shipments that remained uncovered by hedge was large in castor oil during 1959-60, but the situation in it also altered during 1960-61 when over 40 per cent of the export sales were hedged in the futures market at Bombay. Besides it is probable that in all commodities, the proportion of export sales hedged in the futures markets may even be larger than that indicated in Col 5 of Table I since the data for the said table was collected from the special margin exemption claims preferred by the exporters to the Forward Markets Commission, while some of the exporters might have used the futures markets to hedge their export sales without seeking any exemption from payment of special margin for fear that the latter course might result in disclosure of details of their export commitments.

More recently (i e, during April and May 1964) exporters in groundnut meal claimed exemption from payment of special margin in the different futures markets in groundnut oilcake at Bombay and Saurashtra on total export commitments for nearly 25,000 tonnes, and their combined 'long' hedge position acquired against such commitments accounted for nearly 25 to 30 per cent of the total open position in groundnut oilcake in all markets.

Manufacturers Also Interested

Apart from exporters, processors and manufacturers of end products in different agricultural commodities, especially oilseeds, have also used the futures markets during the last few years to ensure their supplies of raw-materials in view of the acute shortages in such commodities. Thus, it is common knowledge that many reputed firms of crushers and vanaspati manufacturers held from time to time fairly large 'long' positions in futures markets in groundnut and groundnut oil during the last three agricultural seasons. It is true that these 'long' positions were often accumulated without any corresponding 'short' commitments in the end products, and therefore perhaps might not be technically construed as hedge positions by the authorities. But, since the prices of end products do not vary over short periods, manufacturers usually feel it safe to take steps to ensure their requirements of raw-materials at reasonable prices so that their normal profits are assured and the process of manufacture continues uninterrupted without regard to any intermittant upsurge in prices of such raw materials. Accumulation of 'long' position in futures markets serves this purpose and also saves the manufac-

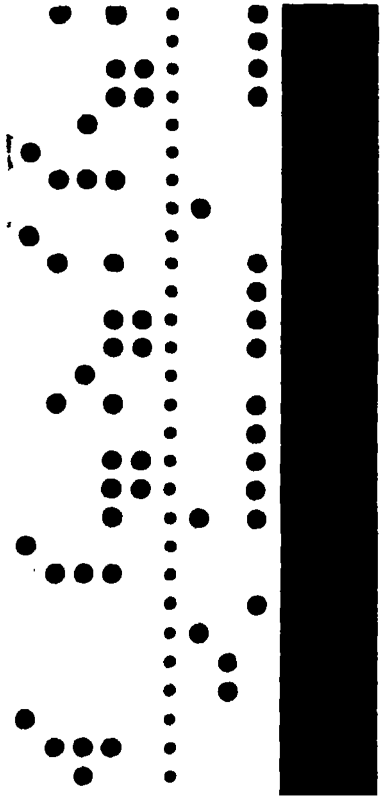
Table 1: Exports and Export Commitments Hedged

Commodity and Centre	Period	Total Export Commitments Hedged during the Period *(in tonnes)*	Actual Exports during the Period from the Centre *(in tonnes)*	Proportion of Col (1) to Col (4) *(in per cent)*
1	2	3	4	5
Castor Oil	Jan-June 1960	4485	28112	*15.9*
(Bombay)	Dec 1960—Apr '61	3264	7985	*40.9*
Linseed Oil				
(Bombay)	Oct-Nov 1959	860	2013	*42.7*
H P S Groundnuts	Oct 1959—June '61	10049	14762	*68.0*
(Bombay)	Sept '60—Apr '61	10799	8062*	*133.9*
Groundnut Oil				
(All Centres)	July-Dec 1959	7624	27486@	*27.7*
Pepper (Cochin)	Aug-Nov 1959	1750	5520	*31.7*

* Actual exports of H P S Groundnut were smaller than the total export commitments hedged, probably because the latter might include commitments for shipment from ports other than Bombay.

@ Exports are for all India.





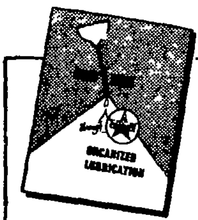
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turer both the trouble and expense of building up large inventories of raw-materials. Holding of such long position by processors/manufacturers, therefore, is a perfectly legitimate 'hedge' activity and has been recognised so even in U S A.[3] It is understood that in 1963, in the groundnut and groundnut oil futures markets, as much as 10 per cent of the total market positions were at times held by crushers, vanaspati interests and other industrial users of vegetable oils in the form of such long hedges.

Role of Forward Markets

Though, no one can seriously distrust the utility of forward markets to the exporters, processors and manufacturers in times of shortages, perhaps the same cannot be said unequivocally with regard to their use to the dealers and stockists. During the last few years, the markets in most of the commodities have shown a broad rising trend and apparently, therefore, the need for short hedges by dealers and stockists seems to have disappeared. Yet, such markets have not been absolved all the ups and downs that are normally witnessed in commodity prices. Not only have there been the swings in prices from year to year, but even within each crop year, prices have often tended to decline with at times even protracted spells of easiness. Evidently, the need for 'short' hedges has not become extinct: prudent traders still prefer to hedge their unsold stocks, especially during the immediate post-harvest months. In the course of my enquiries with some of the trade interests in the local oilseeds market, I found that during 1962, many dealers and stockists had in fact hedged, from time to time, in the groundnut and groundnut oil futures markets at Bombay and Saurashtra, almost three-fourth of their net long commitments (i e, excess of unsold stocks and outstanding purchases against non-transferable specific delivery contracts over similar outstanding sales) in the two commodities. The position in other years as well as in other commodities is unlikely to be materially different.

The economic function of marketing or distribution implies creation of time, place and possession utilities. Although forward market is not a direct link in the distributive system, it plays an important part in the marketing and merchandising of commodities. In the scheme of distribution, forward market acts as an organisation designed to assist the markets in physical commodities in creating the three 'utilities'.

A forward market serves the same purpose and function with regard to 'time' utility as the physical spot market serves with regard to 'place' utility. Through price forecasting and commodity hedging, a forward market facilitates the even flow of goods from the period of peak marketing months to that of lean months without causing abnormal variations in prices. It also assists the creation of 'place' utility through arbitrage between the regional markets. And finally, since a forward market helps the processors, manufacturers, exporters and other consumers to place long hedges, it ensures supplies whenever required and thereby helps in creating the 'possession' utility as well.

Influence On Ready Prices

The success of any forward market in its market-making function depends on its efficiency in directing "rightly" the course of ready prices. That ready and futures contracts in a commodity are closely linked in price is a long recognised fact. But the economic usefulness of futures trading presupposes not only the maintenance of this close and intimate relationship between futures and ready prices, but also the superiority of the forward marketing mechanism over any other form of market activity in determining the values of commodities. In other words, to be useful, a forward market must act as a true price-barometer, reflecting accurately the fundamental trade conditions — both present as well as prospective.

This superiority of forward marketing mechanism in determining commodity prices is clearly demonstrated in methods of physical purchases and sales in vogue in principal commodity markets. Thus, in the cotton trade, until a few years back when the cotton hedge contract was more realistic and representative of the different varieties grown in the country, mills mostly secured their requirements of cotton through purchases on "on call" contracts. A typical "on call" contract in cotton specified the variety of cotton to be delivered and the amount of premium (or discount) to be paid over the price of the "Indian Cotton Contract" (which is the cotton futures contract traded at Bombay), on the same day on which the buyer calls for delivery of the cotton. Likewise, sales of groundnut are made in many parts of the country largely through similar "on call" contracts (which are styled as "Jangad" contracts in Saurashtra and "unfixed" contracts in the South), whereunder the buyer receives delivery of goods forthwith, but is required to pay the price on some future date to be fixed at the option of the seller and at the rate then prevailing in the futures market.[4] In the raw jute and jute goods market at Calcutta, transferable specific delivery forward contracts are a common feature of the trade, and the jute mills freely enter into such contracts on their own as legitimate and integral part of their business. These transferable specific delivery contracts have, for all practical purposes, very little to distinguish from the futures contracts and are always influenced by the latter.

Such a direct and widespread use of the futures contracts in different commodities by both the trade and industry clearly repudiates the commonly held belief that futures contracts are used exclusively by the speculative interests. The reliance which the trade and industry places on the prices of the futures contracts in deciding upon their manufacturing as well as distributive plans also demonstrates in an unerring manner the role played by forward markets in the market making function. The short or marginal supply conditions that prevail in many agricultural raw materials have only tended to enhance this type of utility of futures markets, since in the absence of any other forecasting medium, the processors and manufacturers are apt to frame their production lay-outs on the basis of prices ruling in the futures markets and must also rely on the futures contracts in them for fulfilment of such plans.

Steadying Impact

A manifest concomitant of the market making function of futures trading is the stabilising influence it wields on the prices of commodities subjected to such trading. An analysis of elasticities of futures prices attempted by the present writer for the last six crop years in groundnut, castorseed and rapeseed/mustardseed and for the last five years in raw jute and jute goods confirms that commodity futures markets, more often than not, exert considerable steadying influence on ready prices[5]. The analysis especially revealed that despite the strong inflationary pressures in the economy and the

acute shortages of edible oilseeds during the last six seasons and of raw jute during the three seasons from 1958-59 to 1960-61, the forward markets had by and large assisted in arresting the rising trend in the prices of these commodities. It is clear that in times of shortages, forward markets act as safety valves for the prevailing speculative tendencies in the trading community, which otherwise assume a more serious and threatening form of hoarding and thereby aggravate the inflationary pressure in the economy. The sharp and sustained rise in prices witnessed in gur and bullion during the last year and more recently in groundnut, mustardseed and their oils after the total ban on futures trading in them, vindicates the truth underlying this statement.

The extravagant criticism of futures markets which one comes across often is aimed really not against speculation, but against the manipulative activities of the trade, although in common parlance, the two terms are often erroneously used as synonyms. Specu-



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lation has been defined by Kaldor "as the purchase (or sale) of goods with a view to re-sale (re-purchase) at a later date, where the motive behind such action is the expectation of a change in the relevant prices relatively to the ruling price."[6] By manipulation, on the other hand, is meant "concerted buying or concentrated selling by two or more persons with the object of forcing prices materially higher or depressing them inordinately through the volume of such sales."[7] Thus, while a speculative purchase or sale is made in anticipation of an impending change in the ruling market price, the manipulators aim at forcing a change in price in the desired direction through the volume of their purchases or sales.

'Corners' and 'Squeezes'

In the early days of futures trading, manipulative corners were attempted frequently on the commodity exchanges. The rules of modern exchanges, however, are framed deliberately to prevent the occurence of such activities and to render them virtually ineffectual. The fearful corners of the 19th and the early 20th century have now become almost a relic of economic history; but their memories have lingered with us and constitute the back drop to the often unjustifiably violent criticism of speculation.

Less important than the spectacular manipulative corner, but still no less real, is the danger from a manipulative 'squeeze'. A squeeze is a relatively small corner, occuring in deliveries for some one month or some one grade. It usually appears when there exists a scarcity of the deliverable commodity. The 'long' interests in the market, while not desiring the commodity itself, may at times stand for delivery to profit from the temporary price rise caused by the efforts of 'shorts' to hectically cover or obtain the deliverable commodity, and in the process a squeeze occurs for a short while. In promoting such a situation, 'longs' sometimes even withhold supplies of the tenderable commodity in their control from the ready market, thereby inflating the ready price which must eventually tumble when the delivery period ends and the longs dispose of their unwanted supplies.

The danger of squeezes is not peculiar to the conditions of short supply. "Some—or in fact, most—squeezes are inevitable on both the physical and exchange markets and are not the result of illegal manipulation.[8] But still, scarcity conditions in a commodity subjected to futures trading facilitate easily the unscrupulous market operators to engineer successful squeezes. It is, therefore, essential for the regulating authorities to be ever vigilant and adopt effectively and timely safeguards to keep the mechanism of forward trading free from manipulative abuses.

Under the United States Commodity Exchange Act, price manipulation and attempted manipulation and corners and attempted corners are treated as offences and subject the offenders to punishment by way of fine or imprisonment or both. Similarly, if the Secretary of Agriculture has reason to believe that any person has manipulated or is attempting to manipulate the market price of any commodity, he may, upon evidence received, require all 'contract' markets to refuse such person all trading privileges. In order to prevent squeezes and market congestion, the Secretary of Agriculture has been empowered under the US Act to provide for a period, after trading in contracts of sale of any commodity for future delivery in a delivery month has ceased, during which contracts of sale of such commodity for future delivery in such month may be satisfied by the delivery of the actual cash commodity. The incorporation in the Forward Contracts (Regulation) Act, of these and other like provisions of the US Commodity Exchange Act, such as registration of brokers and futures commission merchants and power to provoke such registration would no doubt go a long way in reducing the scare of manipulative abuses in this country. Meanwhile, the authorities can continue to rely on measures such as levy of special margins, limits on periodical price fluctuations, limits on volume of trading and open interests, etc, which have by and large succeeded, during the last decade of regulation of forward markets in this country, in exercising proper restraint over the mischievous elements of the trade.

Conclusion

In a developing economy which has not discarded the free market mechanism, the benefits that flow from forward markets far out weigh their abuses, even under conditions of short supply. Trading in commodity futures has little organic relation with either excess of supplies of commodities or marginal shortage in them. For a successful organisation of a futures market, supply and demand no doubt need to be large; but the abundance of each must be measured only in an absolute sense and not in relative terms.

It has to be realised that when supply is inadequate and demand is strong, a rise in price is inevitable whether a forward market exists or not, and the closure of the forward market in such circumstances not only will not give any relief, but is likely to reinforce the tendency for price rise owing to a possible hectic scramble among exporters, manufacturers and other consumers for the limited available goods in the absence of any hedging medium for ensuring supplies to meet their requirements. On the other hand, if forward markets are operating, effective curbs could be imposed through levy of special margins or through fixation of limits on individual or combined market volume of trading and open interests. The net effect of these and other like regulatory measures would be to reduce the elasticity of futures price so that the stabilising influence of forward markets could be successfully brought to bear on the ready prices of commodities while retaining their function as effective hedging media and reliable barometers of the trend of independent market forces.

Notes

1. "Hedging against Exports of Oilseeds and Pepper", *Forward Markets Bulletin*, September 1963 (Special Number), pp 196-200.
2. All export sales are not necessarily fully hedged in the futures market. Instead of seeking a hedge in the 'futures', an entire export sale or a portion of it might be covered through the possession or purchase of actual goods or by buying in the non-transferable specific delivery forward contracts.
3. The United States Commodity Exchange Act gave express recognition to such practices of hedging on July 24, 1956. Section 4a(3)(C) of the Act now provides that bona fide hedging transactions in any commodity include "an amount of such commodity the purchase of which for future delivery shall not exceed such person's unfilled anticipated requirements for processing or manufacturing during a specified operating period not in excess of one year: Provided, That such purchase is made and liquidated in an orderly manner and in accordance with sound com-

mercial practice in conformity with such regulations as the Secretary of Agriculture may prescribe."

[4] See "Holding of Groundnut Stocks by Cultivators in Saurashtra", M G Jawle *Forward Markets Bulletin*, July 1960.

[5] See "Futures Markets Statilise Prices", *The Economic Weekly*, Vol XVI, No 26 pp 1051-8.

[6] "Speculation and Economic Stability", *Review of Economic Studies*, Vol VII, No 1.

[7] J B Baer and O G Saxon, "Commodity Exchanges and Futures Trading", (1949), p 82.

[8] *Ibid*, p 83.

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The All-India Education Commission

A Suggestion

V Jagannadham

The centralised formulation of educational programmes at the top and their transmission downwards may have the advantage of better expert knowledge and uniform content but it robs the local community of all initiative and interest unless it can make the herculean effort to organise and communicate its views by appropriate lobbying to the people at the top.

If, for administrative reasons, little can be done to involve the local community in the routine management of the educational system, at least the opportunity afforded by the appointment of an all-India Education Commission should be taken advantage of to rouse interest in educational problems at the State and local community levels.

For this purpose, it is suggested here, no time should be lost in setting up 'task forces' at the State and local government levels to actively participate in the work of the Commission.

THE appointment of an All-India Education Commission is a welcome step. It is welcome because sixteen years after independence there is more dissatisfaction than satisfaction with all aspects of education, except probably the sharp rise in the numbers. The Commission is charged with the responsibility of finding out the reasons for deterioration in standards and suggesting remedies and steps for improvement. This is a welcome step. It is welcome from another angle, namely, for the first time the problems of education are approached as a whole rather than in compartments such as primary, secondary, university, technical, general etc. Skeptics find in the vastness and vagueness of the terms of reference of the Commission the seeds of ineffectiveness. They feel that the Commission is doomed to share the fate of its predecessors—of making recommendations desirable in themselves but which cannot be implemented because of the absence of an active involvement of the States and local authorities in the Commission's investigations and recommendations.

Skeptical View

The above skeptical view deserves consideration particularly in a country which is federal in its constitutional form, democratic in operation and socialistic in its aspirations. What do these federal, democratic socialistic elements of our national institutional life imply so far as the field of education is concerned? The federal element implies autonomy of the States within their alloted jurisdiction. The democratic element implies the widest possible participation of the interested public in the formulation and execution of policies especially in matters of intimate individual and group concern such as education, health, sanitation, recreation, etc. The socialistic element implies the widest possible extension of opportunities to develop each individual's capacities without the handicap of inadequate means hampering the goal of self-realisation. In all these three elements an all-India education commission would find the fulfilment of its tasks difficult because education in a transitional society like India is a highly complex and controversial problem.

Mobilising Local Resources

The complexities are both ideological and organisational. Among the former, reference may be made to the debate about basic versus non-basic primary education, the extent of liberal and vocational content in education at the secondary level with a built in mechanism for bifurcation to proceed to vocational polytechnical institutions or universities. The controversies largely relate to uniformities in syllabus, the preparation and use of text books, the medium of instruction in secondary schools and colleges. So far not much serious thought has been given to resolve these issues. Even where some thought is given, it has been given at the all-India level and it has manifested itself in the introduction of experiments without much thought as to the consequences of these upon the minds and careers of the people affected by them. By way of illustration we may refer to the national policy decision to introduce basic education in all the States without reference to availability of adequate equipment or resources and without an appropriate follow-up at the secondary education level. The inability to resolve the issue of the medium of instruction has damaged the quality of instruction and caused much hardship to the children of parents moving from one language area to another consequent upon transfers in service. Many are familiar with these and other problems in the field of education, but the question is how to resolve them in a federal State where the responsibility for education is vested in the States but the resources and enthusiasm for educational reform is found mainly in the Central Government? How far would an all-India Education Commission be able to acquire the insights into the problems and solutions which are largely regional and local in character?

Apart from the insights necessary for an analysis and understanding of them, the problems of education pertain largely to the mobilization of the community's resources. For no purpose are people more enthusiastic to contribute resources in cash and kind than for education and for the improvement of facilities in educational institutions. This enthusiasm deserves to be fully tapped by the political leaders and educational administrators. The variety of specialisations and the costs of courses are continuously increasing and the government's resources, even taking the Centre and the States together, are proving inadequate to meet the rising demands for investment in education. The per capita expenditure on education in India is far lower than even in some other underdeveloped countries like Thailand and Egypt. This is largely because of our dependence on tax resources and our indifference to mobilizing local community resources.

Wasted Opportunities

This criticism may be countered by reference to the number of appeals made on behalf of education and the inadequate response to these appeals. This is true to some extent, but the inadequate response is a product of the unimaginative and impersonal approach to these appeals. This is true to some extent, but the inadequate response is a product of the unimaginative and impersonal approach to the problem. Education is administered by the local and State authorities with their own tax resources plus financial assistance from the Central Government without much involvement of the local community. Under the Pan-

chayat Raj scheme and in the Corporations and Municipalities the local councillors are supposed to have an opportunity to involve themselves and the community in the administration of educational institutions and programmes. While this is true in theory, the opportunities are seldom utilized. One reason for this is that the system of education is formulated at the top and is then just transmitted to the local communities. There are no opportunities for the local communities, urban or rural, to discuss the why, what and how of the education of their children. The centralized formulation and transmission of the system of education may have the advantage of better expert knowledge and uniform content but it robs the local community of all personal initiative and interest unless it can make the herculean effort to organise and communicate its views by appropriate lobbying to the people at the top. If, for administrative reasons, very little can be done to involve the local community in day-to-day management of the educational system and institutions, the opportunity afforded by the appointment of an all-India Education Commission should be taken advantage of to rouse interest in educational problems at the State and local community levels. For this purpose I suggest that no time should be lost in inducing the States to set up "task forces" at the State and local government levels.

Task Forces

The "task forces" should consist of selected teachers from primary and secondary schools and colleges; representative of professions like medicine and law, interests like agriculture, business and industry, and political leaders who have experience of administering education in the municipalities and zilla parishads and panchayat samities. The Educational Extension Officer at the samiti level, the District Educational Officer at the zilla parishad level and corresponding officials at the Municipal and State levels should be the Secretaries of these task forces. The functions of these task forces would be to delineate the problems of education ranging from admissions of students to the teaching of ethics in schools. These task forces should also be entrusted with the responsibility of suggesting ways and means of finding resources after explaining the position of funds available from State and local government tax sources.

While writing this I am fully conscious that the task forces may be indifferent to the tasks assigned to them and may thus contribute little to the labours of the Commission. This is partly a product of heritage of advisory committees membership of which usually carries status and prestige without an iota of responsibility; it is also partly due to the preoccupation of the administrators with numerous routine matters and the "helpless", inarticulated indignation of political and professional leaders who have a vague and vast feeling of dissatisfaction with the system of education but who are utterly unprepared to proceed in an organized manner to express their views felt and work for their acceptance.

These problems need to be considered and overcome by creating the necessary awareness, by the devolution of a sense of responsibility and the inculcation of a feeling of trust and respect for the opinions of the people at the grass roots expressed in not-too-sophisticated "native" idiom. The fact remains, however, that to ensure implementation of the recommendations of the Education Commission, we must plan for the mobilization of community resources other than tax resources. For such mobilization, it is necessary to involve the lay, and professional interested individuals and groups in the Commission's work.


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Tensions in Panchayati Raj

Reply

T N Chaturvedi

COMMENTING on my paper "Tensions in Panchayati Raj: Relations between Officials and Non-Officials", Anil Bhatt (*The Economic Weekly*, August 8, 1964) has accepted the state of affairs analysed in the paper as 'true' but he has found the interpretation 'superficial' and the analysis 'simplicist'.

According to Bhatt the causes of tensions I had suggested—factionalism, vague demarcation of powers and poor quality of Panchayati Raj officials—"do not touch the heart of the problem". He admits, however, that "in fact, faction as an operational category in Indian politics is to be found at all levels"; that vagueness in demarcation of powers is a cause of 'accentuating tensions'; and that "the few (officials) who like to remain in these institutions have their own axe to grind and like to play the game with politicians" (p 1359). All this only serves to confuse the issue. The fact is that the problem of tensions in the relations between officials and non-officials is not simply a politics-administration problem but it is a part of the far-reaching social change taking place in our country and hence it requires examination in that larger context.

No Automatic Process

Bhatt maintains that "in the transitional phase the politicisation process fails to produce results, creates tensions and saps the administration of drive and determination" and "this very process of the politicisation may in the long run secularise caste" and hence, "they (non-officials) are integrative forces in the Indian Society, although their political role seems at the moment to be disruptive of national unity" (p 1361). If this analysis is accepted, there is no scope for 'social conduction' in our country and the politicisation of administration will usher in a new society automatically; as such the appointment of various committees and commissions is quite futile. While countries like China are making rapid progress, we should be satisfied to watch our society making gradual progress according to a particular theory. It seems that Bhatt simply fails to grasp the modernising process in a society. Modernisation is not the job of one group, nor the operation of democracy easy or automatic. "If the democratic process is to work in the transitional period, the major groups in a society must achieve a broad working consensus that the primary business of modernising society is modernising itself, and that modernisation must be so designed as to spread its benefits to all the people".[1]

Role of Political Parties

Bhatt maintains that the whole trouble in Panchayati Raj institutions is due to "non-clarity in party lines at local levels". He seems to hold the view that when parliamentary institutions and opposition parties grow stronger, party lines are clear at local levels and people are better educated and can understand the issues presented before them, such tensions will cease. On the other hand, I feel this situation may lead people to make wrong choices. All over Asia, we have countries where other than democratic systems are being experimented and some people in this country are also advocating controlled democracy or trusteeship by a dictatorial regime. It may not, therefore, be advisable to wait for subsidiaries of Parliamentary Democracy to succeed".[2] In fact, in our country, there are few political parties having well organised units at Panchayat level. It is frequently noticed that the workers of political parties at this level have no appreciable understanding of their party ideologies. At the village level, people also do not evince any understanding of such ideologies. In such a situation, without proper social conduction the situation which Bhatt anticipates may not come about at all.

Very strangely Bhatt argues that "the local leader's exploitation of administration, therefore, reflects his constant struggle for survival" (p 1361) and, therefore, easily condones it. But exploitation of administration for personal benefits is always wrong, whatever, may be the situation. It cannot be justified at any cost. It is a common experience that under modern democratic pressure, people have become more 'power-minded' than 'growth-minded'. It is, therefore, essential to put a check on the administrative activities of the non-officials, to divert their energies from administrative activities to developmental activities. Even Shri Jayaprakash Narayan is of the opinion that "the limit of power to be given to the people is to be determined by the competence of the people. All that the villager is competent to do, he should be allowed to do, and nothing should be granted to the villager in a manner of gift."[3]

Bhatt also takes objection to the suggestion that all powers of making transfers and fresh appointments should vest with district level officers of the concerned departments arguing that as the district officials are not "all honest", they would "succumb to favouritism". He seems to forget that standards of morality are not so low in our country; we have a constitution and the rule of law. Our officials can aquit themselves creditably in the task given to them provided the proper atmosphere for work is created in rural India. In the same way, clear demarcation of powers is necessary to avoid recurrence of conflicting instructions to the subordinate officials by the Pradhans and the Vikas Adhikaries. This will avoid unnecessary tensions and useless 'politics' among the subordinate staff. As regards the utility of training courses for the non-officials, the Community Development Evaluation Mission maintains that, "If the panchayat is ultimately to be an effective planning unit as well as executive of those plans, the members need a different kind of training, based on problem solving and illustrated by simple forms of case studies".[4]

No New Light

Bhatt has not analysed any new cause, nor has he given any new suggestion. He finds the present situation the natural creation of the process of politicisation in our country. He disposes of everything by saying simply that, "in the ultimate analysis it is one of those questions of democracy where much depends upon the good sense of politicians and administrators" while admitting in the same breath that "there is no guarantee that politicians would not exploit the administration for partisan or personal purposes" (p 1361). This is hardly enlightening.

"The nation state is a great association and its demands are more overriding than those of community group"[5]. Thus in the ultimate analysis, it is the

patriotism and firm faith in the nation's destiny which will create this 'good sense' in the politicians and administrators. The Indian Leviathan is to be awakened; the prime necessity for more positive and dynamic thinking.

Notes

1. Rostow W W, "The Challenge of Democracy in Developing Nations" p 22. U S I S Publication.
2. Jayaprakash Narayan, Talk given to the Central Institute of Study and Research in Community Development, Mussouri, p 1.
3. *Ibid*, p 2.
4. M J Coldwell and Others, "Report of a Community Development Evaluation Mission in India", p 53; Government of India Publication.
5. Lethbridge H J, "Tensions of Economic Development in South East Asia", Bombay, Allied Publishers, p 42.

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The Sterilisation Debate

Cost-Benefit Analysis Is Necessary

K Prahlad

The suggestion by S N Agarwala that the relative emphasis on different family planning methods in India should be determined on the basis of a cost-benefit analysis is very sound and the Planning Commission would do well to appoint a high powered committee of demographers and economists to go into the question.

IT is known that the family planning movement in India has made little impact; and one of the reasons for the failure of the movement is that the Ministry of Health has no clear-cut policy to put before the public. It has alternately emphasised the rhythm method, oral pills, chemical and mechanical contraceptives, sterilisation (and now abortion?) without assigning any reason for the change in emphasis. It is pathetic to see the Government desperately groping in the dark and not deciding the question on merits through a cost-benefit analysis.

Valuable Contribution

Agarwala has given an ingenious formula for determining the requirements of contraceptives and it is appropriate to first find out whether or not it is theoretically sound. In a 30-year reproductive period between ages 15 and 45, an average woman in India produces 6 children. Thus, the average inter-pregnancy interval comes to 5 years for the entire reproductive span. If the average coital frequency is taken to be 72 per year, one might say that a total of 72 x 5 = 360 condoms would be required to prevent one birth on the assumption that a fresh condom is used for each coitus.

But this estimate of the number of contraceptives needed is exaggerated for the simple reason that a woman is not exposed to the risk of pregnancy throughout this period. Coitus is avoided when a wife is away from her husband. Likewise, when the husband is away from the wife there is no coitus. Again, it has been found that coitus is avoided on religious days, the days thus avoided ranged between 2 and 120 in Ramanagaram (Mysore) and between 1 and 79 in Lody Colony (Delhi).[1] Further when a woman is pregnant, she cannot have another child for the next 11 months (9 months of pregnancy and 2 months of puerperium) and it is reasonable to assume that contraceptives would not be used during the non-exposure period. Demographers take cognisance of this fact by taking the *exposure period* (exposure to the risk of pregnancy) into consideration. The concept of pregnancy rate adopted by Agarwala takes into consideration the number of pregnancies women can have during a unit of exposure period and is a distinct advance on the crude method of multiplying the coital frequency either by the reproductive span or the average inter-pregnancy interval for determining contraceptive requirements.

Exposure Period

On the basis of a study of nearly 6,000 visitors to family planning clinics in Delhi, Agarwala found that there are 62 pregnancies per 100 years of exposure when contraceptives are not used.[2] This suggests that the inter-pregnancy exposure period, on an average, is about 20 months (100 years or 1200 months / 62 = 19.4 months) out of the total inter-pregnancy interval of 5 years spread over the entire reproductive span. This may appear a little strange. But if count is taken of leakages from the reproductive span[3] the average reproductive span shrinks from 30 to 18 years.[4] Then add to it the religious days avoided, which may average out to 3-4 years during the entire reproductive span. Another 2-3 years of the reproductive span (this figure is not based on any survey and is a conjecture) may possibly be spent by a married woman away from her husband. These leave a possible 17-18 years out of the average reproductive span of 30 years. Add to it another non-exposure period of 3 years due to 4 possible pregnancies till the age of 40, and the dilemma faced by T J Samuel (*The Economic Weekly*, August 29, 1964) is resolved.

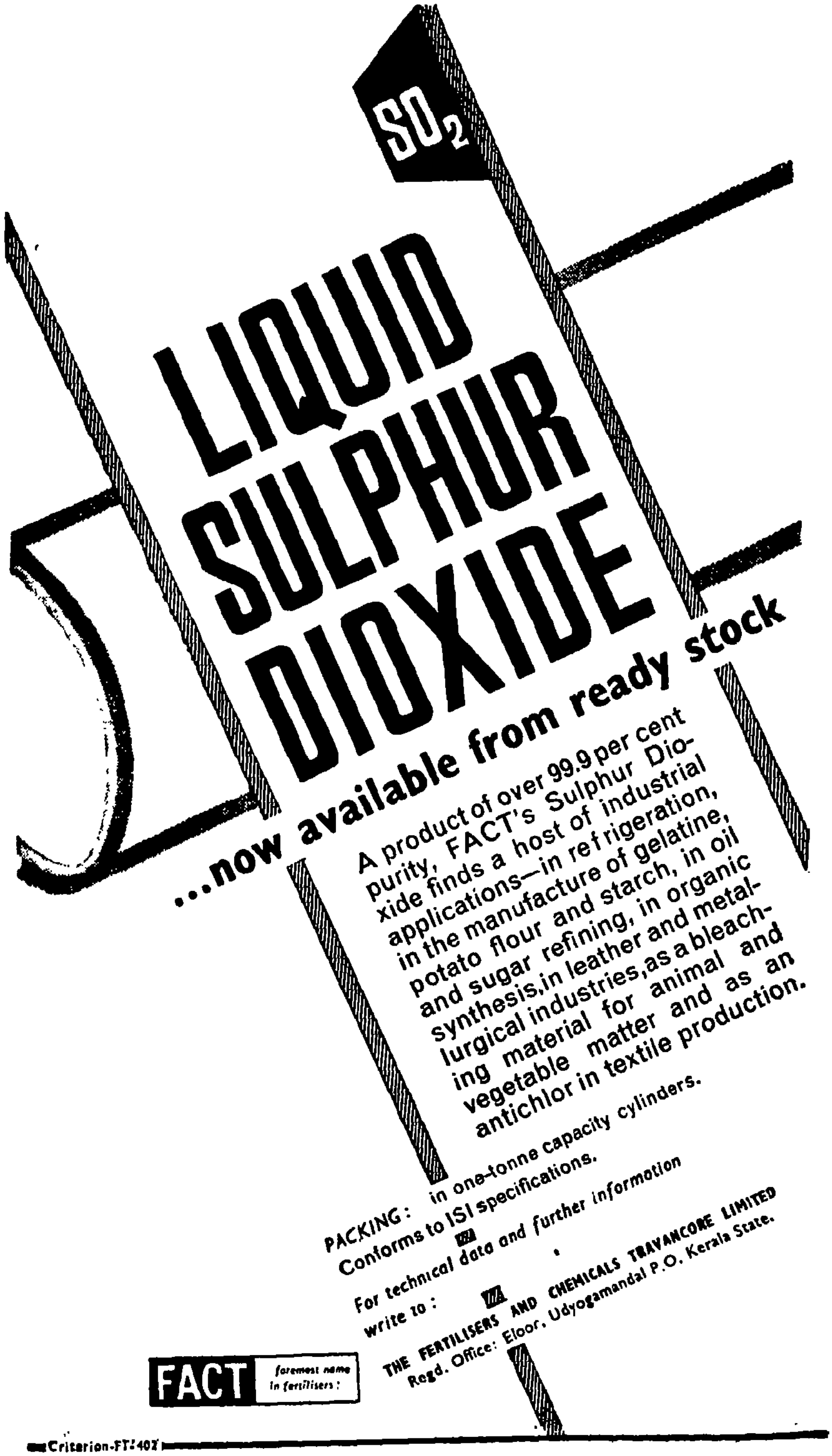
Agarwala, has however, been more than generous in estimating the requirements of condoms. Instead of multplying the exposure period of 20 months by the coital frequency of 7 and arriving at the figure of 140, he has also considered accidental pregnancies due to condom failure and has increased his estimate of contraceptive requirement to 153 per avoided pregnancy.

I may end the discussion in this section by saying that Agarwala has based his calculations on the best available information in the country and not on hunches or guess work. I question the appropriateness of using assumed values for criticising Agarwala's estimates.

Cost of Vasectomy Under-estimated

Agarwala has under-estimated the monetary cost of vasectomy. It is known that the cost of female sterilisation (salpingectomy) is much higher than that of vasectomy (male sterilisation); and no one can assume that of the 6-7 million sterilisation operations required each year, all will be male operations. Therefore, the estimation of the cost of sterilisation on the basis of male operations alone is a generous concession and gives only the lower limit of the cost involved.

According to the Central Family Planning Board, which met in Bombay recently, (*The Economic Weekly*, August 29, 1964, p 1452), private doctors would be paid Rs 10 per sterilisation operation. Another Rs 10 per case would be paid for drugs and transport. Agarwala has taken the same figures (item 3 and 5 in his Table 2) in estimating the cost. The Board has also suggested that payment equivalent to 7 days' loss of wages should be given to all those who get vasectomised. Agarwala has put this cost at a moderate figure of Rs 10-20 or an average of Rs 15. No one would consider this excessive. It is to be appreciated that this is a payment for loss of wages and is in addition to the monetary inducement of Rs 50 offered by some State governments or the middle-man commission of Rs 10 per case paid by Madras. Agarwala has not included these costs. This will be discussed later. If patients are hospitalised, there would be some cost of meals (Rs 4.00 per person for two meals even if the patient stays for one day in the



Criterion-FT-402

hospital) and another Rs 2.5 for *dhobi, dai* and other miscellaneous expenses. This is how Agarwala comes to his estimate of Rs 40 per vasectomy.

He has grossly under-estimated the cost as he has not included Rs 50 of persuasion money which is paid to the patients. He has also not included the cost of training doctors who would be required to perform operations nor the cost of hospitals or special surgeries which will have to be set up. If all these costs are included, the figure of Rs 40 would swell to about five times.

No Distribution Costs

It is to be appreciated that Agarwala has compared the direct money cost of vasectomy with the direct money cost of contraceptives (J N Sinha, *The Economic Weekly*, August 29, 1964). Implicit in his argument is the point that the overhead monetary cost of the overall family planning programme would be common to both the methods. Social workers and social psychologists would be needed to carry the message of family planning and to persuade people to either undergo vasectomy or to take to contraceptives. Whatever machinery is required for this work would be common to both sterilisation and contraceptives. After people have been persuaded to take to contraceptives, those who use condom would buy them in the market and there would be no need for the existing costly machinery of family planning clinics to distribute contraceptives. Condoms would be available to the consumers through normal business channels. As a matter of fact, the exaggerated emphasis on opening family planning clinics and staffing them with medical doctors who remain busy for barely two or three hours a day is highly wasteful and the sooner it is given up, the better. Besides providing employment to some lady doctors, the clinics do precious little — the average attendance per clinic in India is barely 102 per year! This, however, should not be taken to be the figure of regular attendance.

Agarwala has broken new grounds in his article and has suggested a very useful technique for cost-benefit analysis of various methods of birth control. The Government would do well to keep this approach in mind while formulating the Fourth Plan family planning programme.

Notes

1. Chandrasekaran C "Cultural Patterns in Relation to Family Planning in India", Report of the Third International Planned Parenthood Conference, Bombay: Family Planning Association, 1962, p 78. He reports that 50 per cent of the persons interviewed at the two places (Ramanagaram and Lodi Colony) reported such avoidance.
2. Agarwala, S N, "Fertility Control Through Contraception," 1961, New Delhi, Directorate General of Health Services, p 33.
3. Agarwala, S N, "Age at Marriage in India", Allahabad, Kitab Mahal, 1962, 296.
4. Agarwala, S N, "Social and Cultural Factors Affecting Fertility in India", *Population Studies*, Madras, 1964.

The Sterilisation Debate

Emphasise Motivation, Not Means

R S Dheer

THE thought-provoking article by S N Agarwala has shown that the likely performance of sterilisation is being exaggerated in India and that 2.5 million operations are not going to reduce the birth rate by more than 12 per cent in a 10-year period. The Government would do well to keep this in mind while making plans for a decline in birth rate to 25 by 1971. If current experience is any guide, the birth rate will not decline to 25 even in thirty years.

I find the criticism of Agarwala by T J Samuel (*The Economic Weekly*, August 29, 1964) wholly misplaced on the following grounds:

(1) Agarwala's formula seeks to distinguish between the actual period of exposure and the fertility span. It is known that a woman can have children during the fertile period only when she is exposed to the risk of pregnancy. If she is not so exposed, she is unlikely to have children. Contraceptives, therefore, are required only during the "risky" period and not throughout the reproductive span. Agarwala has taken into account only the risky period, while Samuel wrongly thinks that the entire reproductive period should have been considered.

(2) There is no evidence to show that the coital frequency of 7 per month taken by Agarwala is an under-count. It is the average for the 30 year period and seems reasonable. As a doctor, I have asked a number of patients about the frequency of coitus. Those who are young consider this figure low, while those who are above 35 consider it high. Perhaps, Indians are less indulgent than people in some other countries.

(3) Samuel has mistakenly taken Rs 10-20 paid to those undergoing vasectomy for loss of wages as incentive money. As a matter of fact, Agarwala has not included—as he has stated clearly—the incentive money of Rs 50 paid to each person sterilised. If it is included, the cost of sterilisation would increase two-fold.

(4) Samuel has failed to distinguish, unlike J N Sinha, between the cost of family planning propaganda and the cost of condoms required to prevent one pregnancy. The first cost is common to all the methods including sterilisation. Perhaps, the cost of propaganda would be higher in the case of sterilisation as greater efforts would be required to persuade people to undergo vasectomy than to use the condom. It is, therefore, only the direct costs of the two methods which have to be compared.

(5) Samuel has suggested that the distribution cost of condoms should be included in any cost-benefit analysis. Once people have been persuaded and the demand has been created, people should be able to buy condoms in the market. When there is demand, shopkeepers would start stocking condoms as in other countries.

I may be uncharitable, but I have a feeling that a vested interest has been created in favour of sterilisation as it is likely to provide employment to a large number of doctors. This perhaps is the reason why so much emphasis in India is placed on *methods* rather than on motivation. In a group of willing people *any* method would do the trick. In some western countries even now 40 per cent of the people use withdrawal. Why is this method not suggested in India?

Reserve Bank of India

Applications are invited for the following posts in the undernoted departments of the Reserve Bank of India:—

(A) POSTS AND SCALES OF PAY

(i) Deputy Directors :	Rs. 850-60-1150
(ii) Research Officers :	Rs. 430-430-55-815 EB 55-925-60-1045.
(iii) Junior Officers Grade II : in the Legal Department	Rs. 375-20-535-25-560 EB 25-660-30-720.

Note : Candidates possessing exceptionally good qualifications and experience of value to the Bank may be given a higher starting pay in the prescribed scales.

In addition to pay the selected candidates in all categories mentioned above will be eligible to draw local pay, (at centres where it is admissible), house allowance and dearness allowance at the rates prescribed by the Bank from time to time.

(B) QUALIFICATIONS

(i) *Deputy Directors, Economic Department:* Applicants should possess first or high second class Master's degree in Economics of an Indian or foreign University or a Doctorate degree in Economics of an Indian or foreign University. They must have experience of research work for at least five years in one or more of the following subjects: (a) Monetary Economics, (b) Banking Theory and Practice, (c) International Trade and Finance, (d) Agricultural Economics and (e) Planning and Development.

(ii) *Research Officers, Economic Department :* Applicants should possess first or high second class Master's degree in Economics or Commerce of an Indian or foreign University or a Doctorate degree in Economics of an Indian or foreign University, and a period of research work in one or more of the following subjects: (a) Monetary Economics, (b) Banking Theory and Practice, (c) International Trade and Finance, (d) Agricultural Economics and (e) Planning and Development. Applicants are expected to be proficient in economic analysis. A period of practical banking training will be an additional qualification in respect of applicants with specialisation in (a), (b), and (c) above and experience of agricultural surveys in respect of (d) above.

(iii) *Junior Officers Grade II, Legal Department:*

Applicants should be Advocates or Solicitors and should possess in addition to high academic qualifications in Law, practical experience of work in an Advocate's or Solicitor's office or have practised independently, for at least 3 years. Preference will be given to candidates having M. L. or LL.M. or other equivalent qualifications and special knowledge of Banking and Company Law.

THE SELECTION BOARD WILL INSIST ON A VERY HIGH STANDARD OF SUITABILITY IN MAKING SELECTIONS FOR THE ABOVE POSTS AND ONLY THOSE CANDIDATES WHO POSSESS HIGH ACADEMIC QUALIFICATIONS AND/OR ADEQUATE EXPERIENCE OF THE TYPE SPECIFIED ARE ADVISED TO APPLY.

(C) AGE LIMITS AS ON 1ST SEPTEMBER 1964

(i) *Deputy Directors:* Candidates should be between 30 and 40 years of age but the age limit may be relaxed in the case of candidates possessing exceptional qualifications.

(ii) *Research Officers:* Candidates should not ordinarily be over 35 years of age but the age limit may be slightly relaxed in the case of candidates with exceptionally good qualifications and/or experience of value to the Bank.

(iii) *Junior Officers Grade II:* Between 21 and 27 years. The maximum age limit is relaxable but not beyond 32 years in the case of.

(a) candidates possessing special qualifications and experience of value to the Bank; and

(b) candidates belonging to the Scheduled Castes or Scheduled Tribes.

2. Candidates who wish to apply for more than one category of posts must submit separate applications accompanied by separate application fees and should clearly indicate the post and the department for which they have applied.

3. Applicants for the above posts must remit with their applications a fee of Rs. 7.50 for each post by cheque or bank draft on a scheduled bank payable at Bombay or by Postal Order. *The application fee is in no case refundable.* In the case of candidates belonging to Scheduled Castes/Tribes the fee will be reduced to one fourth.

4. Applications in the candidate's own handwriting in the prescribed forms obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Hyderabad, Trivandrum, Lucknow, Patna and Jaipur accompanied by copies (originals should *not* be sent) of certificates regarding age and educational qualifications, statements of marks secured in the graduate and post-graduate degree examinations and copies of two testimonials should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay-1 so as to reach him on or before the 3rd October 1964.

5. Candidates already in service will be required to produce a proper discharge certificate from their employers in the event of their being selected at the time of their appointment in the Bank's service.

7. Candidates belonging to Scheduled Castes/Scheduled Tribes should mention this fact prominently in their applications and also enclose a copy of the certificate to that effect from competent authority.

7. Candidates must be prepared to serve in any office of the Bank in India or group of departments to which they are posted and to undertake tours when required.

8. Selected candidates will have to appear for interview/s before the Selection Board at any of the Bank's offices.

9. Appointments will be subject to candidates being found medically fit for service in the Bank by the Bank's Medical Officer.

10. If any candidate desires to have his application acknowledged, he should send it by "Registered Post—Acknowledgment Due". Apart from those who may be specially called, interviews will not be granted to candidates nor will the Bank enter into correspondence with them.

11. Canvassing in any form will be regarded as disqualifi cation.

Business Notes

Tata Oil

TATA Oil has cut the dividend on its ordinary shares from Rs 5.50 per share of Rs 25 to Rs 3 per share for the year ended March 31, 1964. This is because of a drop in the amount available for disposal from Rs 24.61 lakhs to Rs 14.74 lakhs. Profit before taxes and allocations was down by Rs 21.62 or about 42 per cent at Rs 29.12 lakhs in spite of an increase of about Rs 91 lakhs or 7 per cent in the turnover as compared with the previous year. Net profit after provisions and allocations stood at Rs 19.73 lakhs compared with Rs 27.71 lakhs in 1962-63. The higher revenues were eaten up by a sharp rise in expenses—raw materials, stores and wages cost Rs 101 lakhs more; interest charges were higher by Rs 8-7 lakhs; and depreciation absorbed Rs 2.8 lakhs more. Taxation provision was, however, less by Rs 13.6 lakhs at Rs 9.4 lakhs.

The setback in profitability was attributed by the Directors to a combination of a number of adverse factors, mostly resulting from government policies and actions. The increased cost of raw materials was partly due to an abnormal rise in the prices of Indian oils. The company suffered losses on the larger tonnage of groundnut oil which it had to export to earn import entitlements. No actual user's licences are being issued for importing new materials from the end of 1962. Export of oils could be effected only at a loss owing to the high prices of Indian oils compared with world prices. Imported palm oil cost the company 45 per cent more. Another adverse factor was the rise in excise duty on laundry soaps by Rs 82.50 per tonne. Excise duty cost the Company Rs 21 lakhs more. But due to the price control on manufactured goods, the Company could not increase selling prices in order to make up for these increases in costs.

On the production side, production of both laundry and toilet soaps was maintained at the last year's level. The Company has taken steps to expand crushing operations at Tatapuram and Bombay. The solvent extraction plants at Bombay worked satisfactorily, and the bulk of the de-oiled groundnut meal was exported to foreign countries fetching almost the same as in the previous year. Total exports effected by the Company rose by nearly Rs 80 lakhs to Rs 2.40 crores.

In view of the disparity between the Company's block and share capital, the Directors propose to capitalise Rs 35.04 lakhs from the share premium account and issue 140,150 fully paid bonus shares in the ratio of one share for every three ordinary shares held, subject to the sanction of CCI.

The Chairman, Shri J R D Tata, has pointed out in his statement circulated with the Report that the profit margin has narrowed as a result of the control on selling prices and the unhealthy rise in raw material costs which are left uncontrolled; profits are further squeezed by heavy taxation. Prices of vegetable oils account for over 50 per cent of the cost of the final product and have therefore a tremendous impact on the company's operational results. In view of the likelihood of the production target of oilseeds set for the Third Plan not being reached, Shri Tata has called for more effective steps to step up production of oilseeds by discontinuing outmoded farming methods and making use of mechanisation, modern science and technology. As for steps to increase profitability, the Company, according to the Chairman, will reduce costs of production by modernising equipment, improving processes, increasing effficiency and, above all, by diversifying its activities in quest of fresh revenue sources and higher profit margins.

Tata Hydro Electric Group

THE three hydro-electric companies of Tatas have produced substantially improved operating results during the year to March 31 1964. As a result they have all stepped up their dividends from 9 per cent to 10 per cent after transferring larger amounts to the various reserves. This has been possible on account of a considerable increase in revenues during the year. The Table below will indicate the progress of the three companies during the year as compared with the previous year.

Hindustan Machine Tools

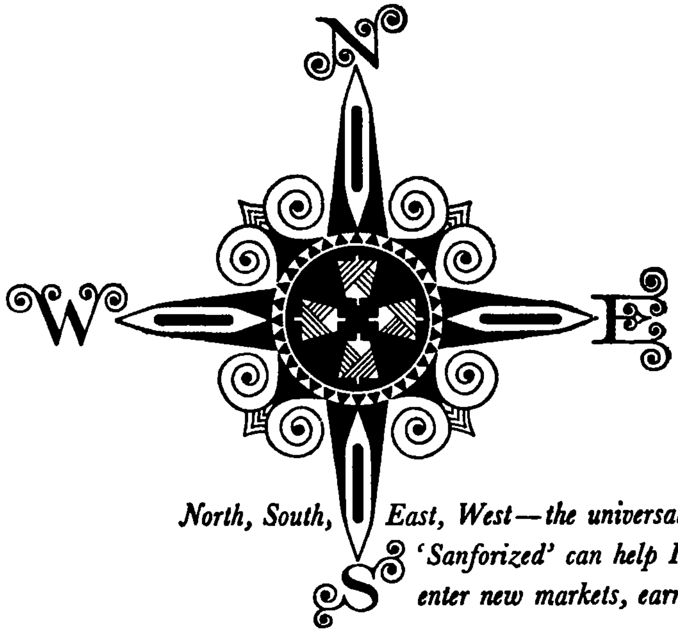
GOVERNMENT-OWNED Hindustan Machine Tools has continued to show good progress in its operations during the year ended March 31, 1964. Production in the two machine tool factories in Bangalore was maintained at full capacity and was equivalent to 2,000 standard machines. Production was diversified by the addition of turret lathes and special purpose machines. Orders during the year showed a rise from 2,137 machines to 2,270 machines. Despatches increased from 1,673 machines to 1,928 machines. The watch factory's progress was also impressive, the output amounting to 121,602 watches as against 51,562 watches assembled from imported components in the previous year. Sales increased from 36,059 to 119,035.

Gross revenues during the year improved from Rs 7.68 crores to Rs 10.88 crores representing a rise of 42 per cent. Ex-works selling price in force from April 1963 were maintained throughout the year at 15 per cent below the landed cost of European machines of equivalent quality. Pre-tax profit amounted to Rs 300.97 lakhs yielding a profit margin of 37.6 per cent compared with Rs 215.77 lakhs with a profit margin of 33 per cent in the previous year. The higher revenues and profits have naturally followed higher revenues and profits have naturally followed higher production and improvement in operational efficiency achieved over a period of years. The Com-

Tata Hydro Group

For the year ended March 31,

	Tata Hydro		Tata Power		Andhra Valley	
	1964	1963	1964	1963	1964	1963
Total revenue (Rs in crores)	3.46	2.31	8.00	5.56	4.57	3.16
Net profit before taxation (Rs in lakhs)	112	59	227	130	103	57
Tatation provision („)	43	23	91	50	32	8
Net profit after taxation („)	69	36	136	80	71	49
Depreciation („)	0.4	0.4	0.1	0.1	1.2	1.2
Development reserve („)	12.2	1.0	2.4	2.7	1.6	8.7
General reserve („)	9.5	3.1	34.0	7.5	14.1	1.7
Other reserves („)	15.4	2.8	40.1	15.5	20.1	5.8
Dividends („)	30.2	27.8	58.1	52.9	33.7	30.7
Dividend rate (p c)	10	9	10	9	10	9

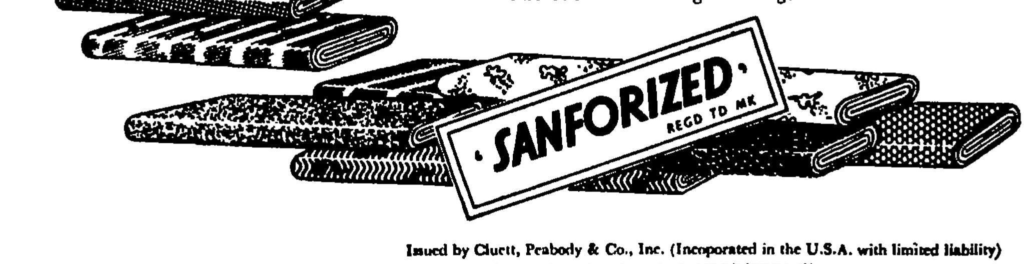


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pany has allocated Rs 56 lakhs (Rs 15.19 lakhs) for taxation, and written off Rs 6.05 lakhs (nil) as licence rights and Rs 17.12 lakhs (Rs 7.83 lakhs) as development and commissioning expenditure. Out of the balance, Rs 74.61 lakhs (Rs 62.31 lakhs) have been utilized to pay a dividend at 10 per cent (same) and to plough back Rs 147.10 lakhs (Rs 100.44 lakhs) in its business. Development rebate reserve has absorbed Rs 37 lakhs (Rs 10.40 lakhs), additional depreciation reserve has been provided for at Rs 40 lakhs (nil) and General Reserve is raised by Rs 70 lakhs to Rs 2 crores. As against Rs 3.14 lakhs brought in, a sum of Rs 3.33 lakhs is carried to the next account.

The total Reserves of the Company now aggregate Rs 3.25 crores against a paid-up capital of Rs 8 crores. The Capital expenditure on all the units till March 31, 1964 totalled Rs 17.45 crores. Apart from employing the ploughed-back resources of Rs 5.97 crores, Government loan has been availed of to the extent of Rs 6.34 crores and cash credit facilities have been obtained from banks to meet working capital requirements from time to time.

The demand for machine tools by the Fourth Plan is roughly estimated at Rs 100 crores per annum. HMT has offered to meet 50 per cent of the demand. In addition to the factories already planned, the Company will be establishing 5 new factories during the Fourth Plan period to realise its target. The third factory of the Company at Pinjore (Punjab) is scheduled to produce 'Milling' machine tools and the first batch of 'all-electric' machines is expected to be despatched before the end of the year. The fourth factory at Kalamassery (Kerala) is under way and is expected to go into production of 'Turning' machine tools before the end of the year. The fifth factory at Hyderabad (Andhra Pradesh) intended to produce 'special purpose' machines and other metal forming and gear cutting machines might begin operations by the end of 1965.

The table below will indicate the highlights of the progress of HMT during the past three years.

Hindustan Machine Tools

	1961-62	1962-63	1963-64
Production of machine tools (numbers)	1,251	1,615	1,983
Orders booked (numbers)	1,380	2,137	2,270
Despatches (numbers)	1,240	1,673	1,982
Production of wrist watches (numbers)	14,439	51,562	121,602
Despatches (numbers)	10,738	36,059	119,035
Net profit (Rs lakhs)	127.53	170.58	244.97
Net profit to net worth (p c)	17.7	17.9	23.2
Dividends (Rs lakhs)	53.10	62.31	74.61
Dividend (p c)	10	10	10

Bombay Gas

BOMBAY GAS has sustained an unprecedented loss of Rs 10.31 lakhs in its main operations, namely production and distribution of gas during the year ended December 31, 1963, comparing with a loss of Rs 1.92 lakhs in 1962. This heavy loss is attributed by the Directors to (1) increase in cost of coal and freight charges (2) Emergency Risk Insurance levy (3) interest on overdraft and (4) increase in salaries and wages. The Directors are not hopeful of improvement in the current year's working results, but on the contrary they feel that operations will be still further adversely affected on account of substantial increases in expenditure on several items, such as railway freight and municipal taxes, coal, wages and



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T. D. KANSARA, General Manager

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establishment charges, etc, and will lead to a fresh loss of Rs 20 lakhs.

The Directors state that sales of gas coke have progressively slackened and that stock of coke has accumulated resulting in disintegration and deterioration. The position of tar and tar products has also deteriorated due to serious competition. The Directors are aggrieved over the fact that the selling price of gas has remained static for the last about 38 years in spite of increases in manufacturing costs. *As the position of the Company is expected to go from bad to worse the Directors have* already submitted representations to Government of Maharashtra to expedite consideration of recommendations of the Gas Advisory Committee which went into the question of fixing a reasonable price for gas and grant necessary relief before it is too late.

Sale of gas during the year fetched a revenue of Rs 63.14 lakhs (Rs 63.96 lakhs) and tar and tar products Rs 47.62 lakhs (Rs 50.70 lakhs). Other incomes amounted to Rs 5.64 lakhs (Rs 6.64 lakhs). Manufacturing costs and other expenses rose from Rs 122.69 lakhs to Rs 126.87 lakhs, resulting in a loss of Rs 9.48 lakhs (Rs 1.40 lakhs). After taking into account Rs 1.41 lakhs being dividend incomes from investments and adjusting overdraft interests and exchange charges, a net loss of Rs 9.49 lakhs (Rs 58,636) has been carried to Balance Sheet.

Sandvik Asia

THE operations of Sandvik Asia during the year to March 1964 have fulfilled the expectations of the management, the turnover rising by 58 per cent from Rs 65.60 lakhs to Rs 103.64 lakhs, and yielding a profit of Rs 9.28 lakhs as against a carry forward loss of Rs 4.12 lakhs. The spectacular improvement in profits after providing for depreciation at Rs 12.09 lakhs (Rs 7.29 lakhs in the previous year) and development rebate reserve at Rs 4.50 lakhs (Rs 6.06 lakhs) has enabled the Company to wipe out the previous deficit, to provide a general reserve of Rs 1.25 lakhs and to declare a maiden dividend at 6 per cent (non-taxable) involving a sum of Rs 3.60 lakhs.

The Chairman of the Company, Shri N S Phatarphekar, in his speech at the Annual General Meeting stated that the Company was already able to meet the requirements of the country in regard to integral rock drill steels with more than half the installed capacity remaining unutilized. He, therefore, urged that Government should ban imports of these items. The current year's sales during the four months to, end-July, he stated, exceeded those in the corresponding period of last year. The Company has in hand some export orders also.

The Company proposes to expand its production of tungsten carbide at the instance of the government and is likely to issue rights shares to finance the expansion programme which is expected to be completed by about 1966.

On towards progress...

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Its services are also extending to various trade routes. After initial consolidation in the India-U.K.-Continent trade—the Company entered the Indo-Soviet service to the Russian Black Sea ports in 1956 and later to Rumanian ports. In 1959 the Company forged still another link in the overseas with South America, and in 1960 it extended its service to Poland.

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LIONEL EDWARDS (PRIVATE) LIMITED

Gwalior Rayon

GWALIOR Rayon Silk Mfg Co's staple fibre production increased during the year to March 1964 from [illegible].78 million kgs to 29.67 million kgs. But the fibre market, the Directors complain, was adversely affected by the import during the year of 8.44 million kgs of staple fibre which has not been consumed. The Company is, therefore, seriously considering the export of its fibre production and is in this context urging the removal of the entire excise duty which has been reduced from Rs 1.33 to Rs 1.15 per kg from March last.

Production of rayon grade pulp in the Company's factory at Kerala, which is said to be the first of its kind in the world, was successful. Production of rayon pulp suffered a setback due to shortage of water supply and fresh bamboos. The entire production of 7,500 tons of rayon grade pulp was consumed in the staple fibre division. Production of paper pulp amounted to 24,400 tons. In the current year production of rayon grade pulp is expected to be considerably more, but the production of rayon and paper pulp will depend on the availability of suitable bamboos for each quality. The Company has applied to the Government for licence to import balancing machinery and equipment which would increase substantially the production capacity of the factory and improve the quality of the pulp also.

The Company's weaving division has reported satisfactory results, the fabrics becoming popular both at home and abroad. The efforts of the Company to secure an import licence for the last three years to import workshop machinery and equipment for the manufacture of machinery for rayon and ancillary plants have not been so far successful. However, with the available equipment and facilities, the Company has been able to manufacture some of the equipment needed for rayon and other ancillary plants and spare parts for the staple fibre factory.

Sales during the year have improved from Rs 13.21 crores to Rs 16.22 crores. Pre-tax profit after providing for depreciation at Rs 163 lakhs (Rs 84 lakhs) and development rebate reserve at Rs 7.98 lakhs (Rs 112.36 lakhs) is better by Rs 56 lakhs at Rs 248.54 lakhs. The ordinary dividend is stepped up from Rs 2.50 to Rs 2.75 per share absorbing Rs 68.75 lakhs (Rs 62.50 lakhs). As the Company's claim for tax exemption has now been lost, the tax liability for the past years estimated at Rs 6.71 crores will be paid out in the current year from the General Reserve.

Mettur Chemical

METTUR Chemical and Industrial Corporation has maintained its progress during the year ended March 31, 1964. Caustic soda production recorded an all-time high of 12,700 tons with the expanded 40-ton plant of the Company attaining its rated capacity. Production of liquid chlorine also increased substantially. Output of bleaching powder and other miscellaneous chemicals has been maintained or improved upon.

Net profit has risen by Rs 10.68 lakhs to Rs 40.50 lakhs following an expansion of sales by Rs 60 lakhs to Rs 2.61 crores. Sales of caustic soda in the lye form was strikingly high during the year and approximately 60 per cent of the Company's production of caustic soda was sold in the lye form. It is claimed that the Company has pioneered the use of caustic soda in lye form in South India. The removal of price control on caustic soda, liquid chlorine, bleaching powder and hydrochloric acid by Government in December 1963 has enabled the manufacturing units of the industry to realise higher prices for their products. The new voluntary price regulation formula for vanaspati oil introduced recently by Government is also expected to be favourable to the Company which is manufacturing vegetable oil products also.

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Around Bombay Markets

Digesting Gains

Thursday, Morning

DALAL STREET, which had been moving up and up under the lead of speculators' favourites for quite a long while, called a halt to its upward journey about the middle of last week of August. The steep rise in the popular counters had made the market's technical position rather suspect. It was therefore necessary that the market should pause to allow technical forces have their play, weed out the weak elements and consolidate its position before making a further big dash. In the process of technical adjustment that has been in progress since the last week of August, some of the market leaders have suffered sizable losses - National Rayon is down from Rs 393 to Rs 359, Century from Rs 649 to Rs 623, Indian Iron from Rs 28.30 to Rs 27, Tata Steel from Rs 164.75 to Rs 158.25 and Hindustan Motors from Rs 19.60 to Rs 18 40.

In a rising trend, technical reaction occurs in much the same fashion as the safety valve of a steam boiler pops and relieves the pressure before the factor of safety has been exceeded. While technical adjustment is both natural and desirable, it often brings about a visible change in the mood of the market and makes many observers wonder whether the market would again be able to push its way into new high ground. Strange as it might seem, whenever a technical correction gets under way there is always some news to explain the change in market psychology. Market observers are now emphasising the unhappy developments in Kerala and Orissa, the reported concentration of Chinese forces all along the Indian border, the scare caused by the hunt for unaccounted wealth and the further increase in the lending rates to around 8 to 8½ per cent by some of the leading banks.

Surely, one cannot dismiss these factors as of no consequence at all; renewed Chinese aggression could easily upset all market calculations. But it might be rash to take too serious a notice of these developments in assessing the long-term prospects for equities. If the political situation does not deteriorate and New Delhi is able to concentrate its efforts on economic development, investors can look forward to the future with a greater measure of confidence than before as there are good many indications of a helpful change in official thinking on various economic issues.

Interest in the stock market is gradually broadening and outside public participation is on the increase. The response to the units of the Unit Trust has been more encouraging than what had been generally anticipated. Sustained support from the Unit Trust has brought about an impressive recovery in cash scrips such as Synthetics and Chemicals, Associated Bearing, Permanent Magnets, SLM-Maneklal, Chemical and Fibres and Indian Aluminium — to mention only a few counters. With the marked improvement in cash scrips, the recovery on the stock market can no longer be regarded as merely of a speculative nature. The upward trend in equities is likely to get considerably accelerated when the stock market begins to feel the impact of reduced floating stocks of several important scrips.

The Unit Trust has raised the selling price of its unit by another 5 Paise from Rs 10.35 to Rs 10.40. The price will no doubt need to be adjusted in course of time because of the dividend considerations. But the Unit Trust will do well not to raise the price too high. For one thing, it might discourage fresh investment in the units and, secondly, the raise in prices might even induce the investors to part with the units when the Unit Trust starts quoting its purchase price in the not-distant future.

When the distant prospect for equities seems encouraging as the Government seems determined to tackle economic issues in a more realistic manner and is willing to offer better incentives to the private sector, the immediate outlook for the stock market is a little uncertain. It is difficult to say how long the process of technical adjustment, which is now under way, will continue and how far the decline in prices might go. The odds perhaps are that the reactionary trend will not last for more than a few weeks.

Cotton

Easier Tendency

WHAT the 1964-65 cotton crop will be like, it all depends on the weather which is unpredictable. Except for certain tracts in the Punjab and the Surat District, particularly the latter, which have had excessive rains, elsewhere, weather conditions, so far, have been almost ideal. And if the weather continues to oblige in the crucial weeks ahead, the new crop could easily show a considerable improvement over the 1963-64 season's record crop of 61.50 lakh bales; of course, weather conditions during the previous season were also highly satisfactory. In any case, the trade and industry can look forward to a reasonably comfortable time in the new season unless the weather turns very unkind. This is because the last season has ended with a larger carryover. Mill consumption of cotton during the first 10 months of the season is placed around 45.21 lakh bales of Indian cotton (39 lakh bales) and 5.04 lakh bales (7.75 lakh bales) of foreign cotton. The total mill consumption during the 1963-64 season can be placed around 54 lakh bales of Indian cotton and 6 lakh bales of foreign cotton. Exports and Ambar Charkha will account for another 3.50 lakh bales, making a total disappearance of 63.50 lakh bales. The total supply works out to a little over 91 lakh bales inclusive of the carryover of 22.38 lakh bales, import of 7.50 lakh bales and domestic crop of 61.50 lakh bales. The carryover of Indian cotton at the end of the season will be higher around 24.25 lakh bales of Indian cotton (against 20.25 lakh bales) and that of foreign cotton at 3.78 lakh bales (2.13 lakh bales). This is sufficient to meet the industry's demand for about five months whereas the crop movement will be in full swing by about the middle of November, that is, after two and-a-half months of the beginning of the new season.

Larger carryover and prospects of another good harvest have induced an easier tendency in the market. After being bid up to Rs 736.75 (the highest

price recorded so far), the March contract receded to Rs 726 and is currently quoted around Rs 730.50. While the general feeling in the market is bearish, bears are reluctant to be aggressive in face of the weather uncertainties. Who can ever be certain of the weather? Activity in the futures market is gradually picking up, but the spot market has become quite listless. Mills are in no mood to make fresh purchases; most of them are well-stocked and only the very needy mills figure as buyers. Spot prices have not registered any notable declines though the tendency is distinctly subdued; quality cottons continue to fetch good prices.

New Delhi has abolished the export duty of Rs 25 per bale on Bengal Deshi with effect from September 1 which marks the beginning of the new season. This will improve the competitive position of Indian Deshi cotton in overseas market, unless, of course, domestic prices are bid up to offset the benefit resulting from the duty relief. Prices have already hardened by about Rs 10 to Rs 15 per candy after the removal of export duty but the rise is in no small measure due to reports of excessive rains in the Punjab. Exporters seem quite optimistic about putting through good export business in course of time. Japan is reported to be evincing considerable interest in Bengal Deshi and is reportedly offering around 21.20 cents a lb for choice quality. The abolition of export duty has raised hopes in market circles that the Government might soon accept the trade's plea for the abolition of sales tax and a reduction in freight on cotton meant for export.

Oilseeds

Groundnut at New High

THE oilseeds market has been displaying a mixed price pattern recently. While groundnut and groundnut oil (spot) have kept soaring, other oilseeds have been distinctly subdued. Groundnut oil which was quoted around Rs 1700 in the beginning of the year and had risen to Rs 2600 by about the middle of July rose to a new all-time high of Rs 2950 (per tonne) last week. It would be naive to suggest that the facility for hedge trading in new crop contracts which is available for cottonseed, castor and linseed and is denied in the case of groundnut and its products has influenced the course of prices and produced divergent trends. Groundnut prices in Bombay keep soaring not because of the absence of hedge trading in new crop contracts but because of restrictions on the movement of the commodity outside Gujarat and Uttar Pradesh. With arrivals in Bombay extremely limited, the supply position of groundnut and groundnut oil has been deteriorating day by day. It is time that the Union Government evolved an integrated policy in respect of essential commodities like edible oils because if consumers in different regions have to pay widely different prices for the same stuff, it will seriously undermine national unity.

Vanaspati factories in the northern and western zones are facing acute shortage of groundnut oil. Four of the 15 factories in the western zone and four of the nine factories in the northern zone are reported to have already been closed and the remaining are working at a very low capacity. The situation in the eastern and southern zones is less disturbing. Of course, it is not very uncommon for vanaspati factories to experience shortage of raw material near the fag-end of the season but the supply position this year has been completely distorted by restrictions on the movement of groundnut and groundnut oil outside Gujarat and Uttar Pradesh. The solvent extraction industry too is passing through a difficult time. This is due less to the prices of expeller cake than to the physical shortage of goods. There is virtually a scramble among the extraction manufacturers to pick up whatever expeller cake is available. Even so, over 60 per cent of the solvent extraction plants in the country are reported to have closed down for want of raw material supply.

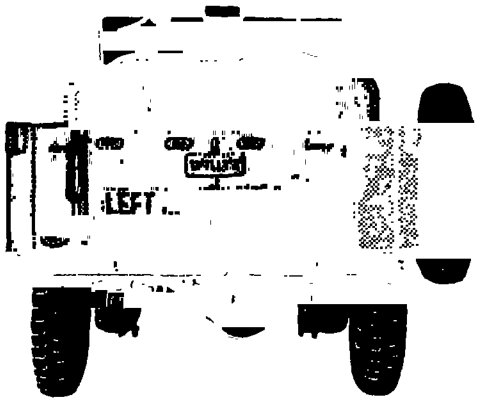
At present, the interest of the oilseeds trade is focussed more on the next move of the Gujarat and U P Governments in regard to the curbs on the movement of oilseeds outside these States than on the progress of the monsoon which, fortunately, is quite promising. If the weather continues to oblige during the next few weeks, the groundnut crop should set a new all-time record around 38 lakh tons. Tight stock position and prospects of a bumper crop have led to a wide spread between the spot and distant delivery quotations for groundnut. Groundnut oil ready is quoted around Rs 29.50 (per 10 kgs) while November position is quoted around Rs 19.25 and December around Rs 18.50; prices of distant deliveries have hardened a little over the past fortnight or so in sympathy with the spurt in the price of spot oil. In view of the excellent crop prospects, it is really surprising that the States should have continued with the curb on the movement of goods as this is likely to create an adverse situation for the State when the new crop begins to move into the markets. Crop prospects being encouraging, there should be no difficulty in the resumption of futures trading in groundnut and its products once the restrictions on the inter-State movements of goods are withdrawn by the States concerned.

In the absence of hedge trading in new crop groundnut, the oilseeds futures market continues to present a rather dull appearance and this is reflected in the small range of fluctuations in castor linseed and cottonseed contracts. Cottonseed January has been moving between Rs 96.50 and Rs 98, linseed March between Rs 39.25 and Rs 38.25 (per 50 kgs) and castor March Rs 177 and Rs 175.50 (per 250 kgs). Except for cottonseed which have been quietly steady, other oilseeds have been subdued for some time.

Export Policy

Fairly good business is reported to have been put through recently in groundnut extractions, mostly under STC link deal. This has imparted considerable strength to the market. Both expeller cake and extraction are quoted around all-time high levels; expeller is quoted around Rs 507 and extraction around 427. Certain Communist countries are stated to have made sizable purchases of linseed extractions recently. Cottonseed cake has continued to attract fair overseas demand. Shippers of castor oil have had to experience considerable difficulty due to the recent partial dock strike; goods could not be shipped in time as the oil tanks were not being cleaned.

The new groundnut crop, which is likely to be a bumper one, will begin to move into the market after about the middle of October. The Government of India would be well-advised to have a careful look at its export policy for groundnut oil and other vegetable oils. Reports from abroad hold out the prospect of good demand for Indian groundnut oil; it should not perhaps be difficult to sell anything between 50,000 and 75,000 tons of groundnut oil to Spain, Russia and Burma during the 1964-65 season and that too without any big incentives. The international price of groundnut oil is, at present, about £ 25 per ton higher than the level obtaining last year. The



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Government should seriously consider the question of doing away with export incentives or substantially modifying them. This will help bring down internal prices which will make Indian oil fairly competitive abroad. If incentives are not carefully thought out in the light of overseas demand and prices, they are likely to cause considerable avoidable hardship to the domestic consumers. The Government will also be well-advised to fix maximum ex-mill and retail prices of vanaspati for a period of six months or so. This will discourage vanaspati manufacturers from rigging up prices of groundnut oil. Besides, efforts for procuring large quantities of soyabean, soya bean oil and tallow from the U S under P L 480 should be continued. The import of soyabeans should be preferred to soyan bean oil because this will help the domestic solvent extraction industry.

Money Market

Thursday Morning

THE money market turned tight and was ruling firm for the last about a fortnight, the inter-bank call money rate forging up from 1 per cent on August 29 to 4.5 per cent on September 4. By Tuesday last, however, a slightly easier tendency was noticeable, the rate stepping down to 4 per cent. The tightness in the trough of the slack season was not a sequel to the demand for funds incidental to the issue, in the last week of August, of the 13 State Government loans for a total value of Rs 100 crores which were over-subscribed; it was attributable to the heavy requirements for meeting quarterly tax payments due by September 1. A similar squeeze in the money market was noted this time last year also, apparently making it seasonal, but the spurt then was from 1 per cent to 3 per cent lasting for a short while only. The more stringent conditions witnessed during the current year appear obviously to have stemmed from a larger demand than the available inflow of funds could sustain.

As for the return flow of funds, credit contraction during the current slack season from May to August has been of the order of Rs 134 crores comparing with Rs 130 crores during the corresponding period last year. Though the amount by itself appears to present a better picture, the proportion of credit contraction to credit expansion in the preceding busy season has not been maintained, for against a credit expansion of Rs 217 crores in November 1962-April 1963 busy season, that in the 1963-64 busy season aggregated Rs 384 crores. Lower return flow may be due to a part of the funds having gone to industries from which return is bound to be slow.

Whatever the reasons for the slackness in the return flow, that the demand, which emanated in the last fortnight has outstripped the available supply is obvious. The ris in Central Government deposits consecutively for the last three weeks ending September 4, amounting to Rs 65.85 crores, reflects the heavy shift of funds from the public to Government that has occurred recently, contributing partly to the rise in demand. Investment of funds by banks in government securities to fulfil their statutory obligations by September 1, may have been another reason for restricted supplies of funds in the open market. However, the upsurge in demand being only a temporary development a return to easier conditions during the rest of the slack season can now be normally expected.

The latest scheduled banks' statement for the week ended August 28, has also disclosed features explaining the stringency in the midst of the rising flow of funds. Aggregate deposits have grown up by Rs 15.47 crores, but against this, investments have swelled by Rs 28.57 crores and bank credit has expanded by Rs 2.41 crores. This has resulted in a heavy withdrawal of Rs 17.98 crores from the balances with the Reserve Bank and reduction of Rs 3.42 crores in 'money placed at call'.

The demand for funds usual in the first week of a month is reflected in the Reserve Bank returns for the week ended September 4. Notes in circulation have expanded by Rs 17.37 crores. This has not, however, involved any additional note issue as the expansion is fully met by the Banking Department which gave out Rs 19.67 crores, of which Rs 2.31 crores have gone back to the Issue Department. As rupee coins of Rs 2.36 crores have flown out of the Issue Department against an intake of Rs 2.31 crores of notes, the net flowout has been backed by a transfer of Rs 5 lakhs of rupee securities into the Issue Department. Foreign securities have remained unchanged but foreign balances have improved by Rs 2.19 crores raising the total foreign assets to Rs 97.80 crores.

Another feature disclosed by the Statement is the sharp rise in Central Government's deposit by Rs 38.44 crores following rises of Rs 17.97 crores in the previous week and Rs 9.44 crores in the week prior to that. At the same time Government borrowings from the Reserve Bank have gone down by Rs 3.68 crores. Scheduled banks have added Rs 3.25 crores to their deposits but have simultaneously increased their borrowings by Rs 3.17 crores. While investments of the Bank have declined by Rs 14.33 crores, bills purchased have sharply risen by Rs 42.18 crores.

Rohtas Industries Limited

Registered Office: Dalmianagar (Bihar)

The Thirtyfirst Annual General Meeting of the Shareholders of Rohtas Industries Ltd, will be held at the Registered Office of the Company at Dalmianagar on Wednesday, the 30th September, 1964 at 11 A.M. to transact the following business:

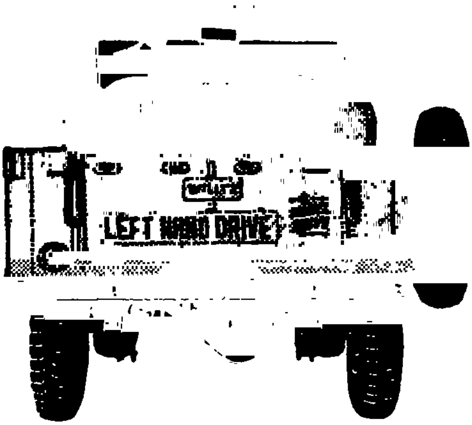
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Share Transfer Books and Members' Register of the Company will remain closed from 24th September, 1964 to 30th September, 1964, both days inclusive.

By order of the Board
For Sahu Jain Ltd,
A K Jain
Director,
Managing Agents.

Calcutta,
5th September, 1964.

N.B. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a member.



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A K Jain
Director,
Managing Agents.

Calcutta,
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CURRENT STATISTICS

Foreign Trade Of India

PRINCIPAL IMPORTS

(Rs lakhs)

	1964 June	1964 May	1964 April	1963 June
Food	*673.81*	*865.19*	*1059.92*	*858.51*
Live animals, chiefly for food		0.05	0.04	0.13
Meat and meat preparations		--	0.08	0.04
Dairy products, eggs and honey	100.27	89.41	112.73	100.82
Fish and fish preparations	28.04	11.48	13.15	47.41
Cereals and cereal preparations	453.39	572.44	560.06	614.38
Fruits and vegetables	81 86	185.07	364.10	82.89
Sugar and sugar preparations			-	—
Coffee, tea, cocoa and spices, etc	7.09	6.12	7.48	9.19
Feeding stuff for animals	0.27	0 48	1.92	1.66
Miscellaneous food preparations	2.80	0.12	0.33	1.97
Beverages and Tobacco	*1.78*	*3.35*	*5.07*	*1.72*
Beverages	1 70	2.92	2.84	1.41
Tobacco and tobacco manufactures	0.07	0.43	2.23	0.31
Crude materials, inedible, except fuels	*795 59*	718.41	1066.50	900.75
Hides, skins and fur skins undressed	37.66	30.14	26.62	39.98
Oilseeds, oil nuts and oil kernels	41.55	51.80	75.83	89.09
Crude rubber including synthetic and reclaimed	63.46	58.33	85.33	104.00
Wood, lumber and cork	21.63	22.10	12.90	36.16
Pulp and waste paper	94.27	50.88	42.59	48.53
Textile fibres and waste	387.30	413.54	657 92	470.10
Crude fertilisers and minerals, excluding, coal, petroleum and precious stones	108.73	62.47	114.15	85.35
Metaliferous ores and metal scrap	18.85	4.42	13.96	12.05
Animal and vegetable crude materials inedible n e s	22.15	24.70	37.17	15.48
Mineral fuels, lubricants and related materials	*432 62*	*496.65*	*1199.86*	*1640.42*
Animal and vegetable oils and fats	*56.72*	*21.01*	*45.79*	*32.17*
Chemicals	751.17	750.74	779.95	912.42
Chemical elements & compounds	278.10	247.87	386.95	329.82
Inorganic chemicals	108.01	81.93	107.27	140.24
Organic chemicals	170.09	166.94	279.68	189.58
Mineral tar and crude chemicals from coal, petroleum and natural gas	0.55	0.38	0.92	0.29
Dyeing, tanning and colouring materials	86.03	90.29	78.17	88.3
Medicinal and pharmaceutical products	70.11	52.82	61.26	92.4
Essential oils and perfume materials, toilets, polishing and cleaning preparations	8.57	7.58	11.75	6.1
Fertilizers, manufactured	195.55	255.27	122.65	259.
Explosives and miscellaneous chemical materials and products	112.24	95.50	118.24	136.
Manufactured goods classified by material	*1680.93*	*1727.96*	*2151.75*	*1421.*
Leather, leather manufactures n e s and dressed furs	0.79	0.35	0.48	0.
Rubber manufactures n e s	12.07	12.88	10.22	20.1
Wood and cork manufactures (excluding furniture)	5.41	4.23	6.53	4.
Paper and paper board manufactures	75.62	88.29	110.96	97.
Textile yarn, fabrics, made-up articles and related products	150.79	126.09	131.22	76.
Non-metallic mineral manufactures n e s	36.01	67.88	145.01	38.
Silver, platinum, gems and jewellery	20.65	12.37	19.68	14.
Bare Metals	1251.82	1302.45	1582.42	1042.
Iron and steel	764.73	803.72	983.67	724.
Copper	204.50	213.82	336.67	112.
Nickel	8.36	13.81	9.11	6.
Aluminium	45.88	58.91	77.22	28.
Tin	66.75	102.87	39.69	54.
Manufactures of metals	127.73	113.38	145.20	114.
Machinery and Transport Equipment	*3429.79*	*3242.06*	*4443.39*	*3286.*
Machinery other than Electric	2120.45	2120.29	3019.45	1971.
Power generating	303.95	317.82	445.89	224.
Agricultural	3.79	10.07	17.38	23.
Tractors	51.30	37.38	55.25	42.
Office	38.68	44.94	20.69	18.
Metal working	452.67	510.48	631.91	304.
Mining, construction and other industrial	1270.03	1199.57	1848.31	1358.
Electric machinery, apparatus and appliances	719.70	707.48	955.50	635.
Transport Equipment	589.63	414.28	468.43	679.
Railway vehicles	85.93	53.48	98.49	279.
Road motor vehicles	306.04	214.52	294.86	211.

	1964 June	May	April	1963 June
Aircraft	67.55	94.96	68.69	142.30
Ships and boats	127.94	46.69	2.34	43.98
Miscellaneous manufactured articles	*164.40*	*114.10*	*176.76*	*128.92*
Prefabricated buildings, sanitary plumbing, heating and lighting, fixtures and fittings	2.53	2.13	4.05	2.43
Furniture and fixtures	0.45	0.11	0.09	1.04
Travel goods, hand bags and similar articles	0.14	0.07	0.03	0.03
Clothing		0.01	0.08	0.04
Footwear				0.04
Professional, scientific and controlling instruments, photographic and optical watches and clocks	103.52	84.67	128.54	96.04
Miscellaneous manufactured articles NES	57.73	27.09	43.95	229.29
Postal packages	9.06	7.67	2.49	15.03
GRAND TOTAL	8023.08	7970.81	10961.81	9494.64

INDEX NUMBER OF WHOLESALE PRICES

(Base 1952-53 = 100)

Group and Sub-Group	WEEK ENDING 22-8-64	15-8-64	25-7-64	24-8-63
Food Articles	*165.2*	*165.1*	*161.7*	*139.2*
Cereals	144.5	144.4	140.7	115.2
Pulses	161.1	158.5	151.3	107.1
Fruits & Vegetables	193.6	195.8	192.6	143.6
Milk & Ghee	146.3	145.3	148.3	128.6
Edible Oils	205.7	205.5	204.1	154.9
Fish, Eggs & Meat	174.5	174.4	173.9	153.1
Sugar & Gur	205.8	207.4	196.7	214.7
Others	186.9	188.0	182.5	182.3
Liquor and Tobacco	*129.3*	*129.3*	*128.4*	*118.1*
Tobacco	126.8	126.8	126.0	115.4
Fuel, Power, Light & Lubricants	*143.5*	*143.5*	*143.4*	*139.0*
Industrial Raw Materials	*169.2*	*167.5*	*160.9*	*139.2*
Fibres	151.6	148.0	135.8	132.4
Oil seeds	209.1	208.1	204.6	155.2
Minerals	103.7	103.7	103.7	91.5
Others	131.8	132.3	130.1	125.3
Manufactures	*136.2*	*136.2*	*133.9*	*130.9*
Intermediate Products	*151.0*	*150.5*	*148.9*	*138.7*
Finished Products	*133.8*	*133.8*	*131.5*	*129.6*
Textiles	131.3	131.3	127.9	127.7
Cotton	136.1	135.9	135.7	135.2
Jute	113.7	113.5	100.1	100.9
Woollen	169.2	169.2	169.2	156.6
Silk & Rayon	136.5	137.3	138.2	140.1
Metal Products	169.0	169.0	169.0	163.7
Chemicals	119.6	119.2	118.8	117.4
Oil cakes	197.2	201.1	193.2	164.4
Machinery & Transport Equipment	127.1	127.1	126.9	123.9
Others	127.8	127.8	127.8	128.6
All Commodities :	*156.0*	*155.7*	*152.3*	*136.3*

BANKING RETURNS

(Rs crores)

Reserve Bank	Sept 4	Aug 28	Aug 7	Sept 6 '63
1 Note circulation	2407.49	2390.12	2458.93	2218.88
2 Rupee coins	106.33	108.70	104.90	121.50
3 Deposits				
(a) Central Govt	134.65	96.21	83.04	94.54
(b) Other Govts	15.61	19.44	26.57	7.76
(c) Banks	97.82	94.93	97.27	86.28
(d) Others	143.87	160.66	189.58	159.05
4 Foreign securities	85.46	85.46	85.46	89.46
5 Balance abroad	12.34	10.15	8.20	6.67
6 Rupee securities	2115.93	2115.88	2160.80	1907.21
7 Investments	177.34	196.07	280.23	205.07
8 Loans and advances to Govts	16.55	50.23	15.18	53.32
9 Other loans and advances	173.63	158.79	161.90	150.96

Scheduled Bank	Aug 28	Aug 21	July 31	Aug 30, '63
1 Aggregate deposits (net)	2487.77	2462.30	2437.78	2200.59
Demand (net)	1130.60	1125.34	1109.29	957.60
Time (net)	1357.17	1346.96	1328.49	1242.99
2 Cash in hand	64.25	63.61	63.09	50.51
3 Balance with Reserve Bank	93.79	101.77	95.48	87.25
4 (2)+(3) as % of (1)	6.35	7.09	6.50	6.26
5 Borrowings from Reserve Bank	1.91	1.78	2.00	0.81
(a) Against usance bills and/or promissory notes	0.20	0.05	1.14	--
(b) Others	1.71	1.73	0.86	0.81
6 Advances	1490.17	1486.54	1495.39	1243.85
(a) State Bank	320.23	319.05	323.69	237.23
(b) Others	1169.94	1167.49	1171.70	1006.63
7 Bills discounted				
(a) Inland	162.35	165.99	165.36	160.15
(b) Foreign	69.78	67.35	69.13	51.69
(c) Total	192.13	233.34	234.49	211.84
(i) State Bank	20.24	20.45	21.15	15.75
(ii) Others	171.89	212.89	213.41	196.09
8 (6)+(7) as % of (1)	69.23	69.57	70.96	66.33
9 Investment in Govt Securities	803.68	775.11	761.36	759.67
10 (9) as % of (1)	32.31	31.35	31.23	34.52

BOMBAY MONEY RATES

(Per cent)

	Aug 28	Aug 21	July 31	Aug 30, '63
Call money from Banks	1.89	1.30	0.50	1.34
Deposits				
Seven days	3.00	3.00	3.00	3.00
Three months	-	-	-	—
Six months	3.75	3.75	3.75	3.75

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Lost by Default

WHILE in one respect this week's Censure Motion against the Government in the Lok Sabha lacked the exciting novelty which its predecessor of a year ago had, it nonetheless created an air of expectancy being the first Parliamentary challenge to the Shastri Government. If last year's motion was in some respects directed particularly at Pandit Nehru's policies on the home and external fronts, this time the attack was primarily mounted on the Government's collective failure in respect of the food situation. In this sense the Government's tactical move of having the Food Debate first paid off as it helped to take much of the wind out of the Opposition's sails.

But more than that it was apparent from the outset that the Opposition was in no shape to offer any serious challenge to the Government. That was a pity, for the timing of the Censure Motion could not have been more favourable for the Opposition. The Shastri Government has been in office for a few months barely and judging by the discussions at the recent AICC session and the conference of Congress socialist workers, a section of Congressmen themselves have yet to make up their mind about it. In addition, of course, there have been no signs of any improvement in the food situation, in the general concern over which a large number of Congress MPs naturally share. Nor have a number of other developments added to Congress prestige. The charges and counter-charges of corruption within the party involving some very highly-placed Congressmen, including Chief Ministers and Ministers; the sorry spectacle of the Ministry in Kerala being voted out veritably by Congressmen themselves; the Election Tribunal's damning strictures against the top brass of the UP Congress—these provided the backdrop to the discussion of the Censure Motion.

If the Opposition could not exploit the situation, the reasons must be found in its own disorganised state. The split in the Communist party has deprived it of its principal Opposition status and the Swatantra party which has stepped into its place could not bring itself to support the Censure Motion. The other right wing party, the Jan Sangh, was also divided on this issue. In fact, it is evident that in Parliament at least the right wing parties are going to find themselves in the same position *vis-a-vis* the Shastri Government as that in which the Communists and the other leftist parties found themselves in relation to the Nehru Government.

Not that even the Food Debate was particularly distinguished. Hiren Mukerjee's spirited attack on the Government's failure to meet the challenge posed by inadequate food production and faulty distribution brought forth the usual replies that production has indeed gone up over the decade (even though the point of the criticism is the current stagnation of output), that supplies are at the same level as last year (ignoring that demand is higher), and that Government was doing all it could to keep prices down and ride the horses of incentive prices to the producer and reasonable prices to the consumer while restricting itself to marginal interference in the trade—all at the same time. To add piquancy to the debate, Subramaniam carried the war into the enemy's camp by suggesting that the Opposition was colluding with the speculators to create a psychology of scarcity. The producer-trader axis, un-known to itself, has apparently become a producer-trader-Opposition triangle! If talking about the reality of the food problem can create a scarcity psychology, Government must surely take the largest share of the blame.

Rarely have we so successfully talked ourselves into a real crisis, though talking ourselves out of it is proving to be far more difficult. Calling for the creation of an atmosphere of confidence in anticipation of the *kharif* crop and sustained imports sounds like whistling in the dark to bolster one's courage. Even the Minister does not exude confidence when he asks others to be confident!

One looked in vain in the Debate, not for 15-year old perorative references to the need for an agricultural breakthrough, but for positive statements on what was proposed to be done in land reform (the Ladejinsky Study is a timely reminder of our voluble inactivity in this field), for permanent improvement of the foodgrains distribution machinery and for a searching enquiry into cooperative finance. We have thought of all these things every time a crisis has hit us but when the bad years were followed by good ones, we have unerringly relapsed again into complacency. This is indeed what happened after the food crisis of 1951 and 1957. If this crisis of 1964 has at last brought us face to face with the need for more action towards self-sufficiency, and less talk of it, it would not have been in vain.

Economic issues dominated the debate on the Censure Motion and so perhaps it was the Finance Minister's *tour de force* on Thursday which was cast as the principal reply from the Treasury benches, not the Prime Minister's statement which is yet to be made as we go to press. A good part of TTK's speech was devoted to dispelling the notion that Government expenditure was the main factor behind the inflationary pressures—and his exposition here might as well have been addressed to the Reserve Bank which had only a few days ago in the annual report of its Central Board sought to turn the spotlight on the expansion of bank credit to Government and argued for cutting Government expenditure "even if this results in temporarily slowing down development activity in some areas".

The positive content of TTK's spe[...] was the assurance that none of [...] developments of the last three ye[...] in the Government's opinion, called [...] a reversal of investment priori[...] Pointing to the non-competitive, [...] even complementary, character of [...] vestment in agriculture and indus[...] TTK argued that "there is nothing [...] prevent the increase in agricultural [...] duction if at the same time Gov[...] ment establishes steel plants or inv[...] in machine building". Considering [...] the protagonists of a "back-to-agri[...] ture-and-consumer-industries" Fo[...] Plan claim—with what justificatio[...] is not possible to say—no less a [...] son than the Prime Minister an[...] their sympathisers, the assurance f[...] the Finance Minister is most welco[...] But perhaps it will be too much to r[...] into TTK's statement a reaffirma[...] that the forward thrust of heavy in[...] try sought to be initiated in the T[...] Plan will be continued and strength[...] ed in the Fourth Plan. That remain[...] be seen.

A Rod in Pickle

A Student of the Indian Press writes:

LIBERTY as an abstract concept is an affair of many pitfalls. It is far safer and very much more useful to write of liberties and to apply the test of practical workability to all questions which bear on freedom of expression. Many things have been said about the Indian Press both before and in the course of the five-day debate in the Rajya Sabha on the Press Council Bill. We may be sure that many more are going to be said during and after the deliberations of the committee of both Houses of Parliament to which the proposal to establish a 26-member Council to "improve" the press has been referred. It might make for sober thinking to point out that Indian newspapers, notorious for their consummate skill in living at subsistence level, have survived all governmental attempts to "improve", "discipline", or "befriend" them. Considering that the history of the Indian Press is spattered with official exertions of all kinds to infuse greater responsibility, this is no mean achievement.

New institutions, new methods and new procedures have been tried. We can think of nothing so revolutionary as the recommendation of Robert Knight that government advertising expended without any ulterior purpose of stifling criticism would go far to make journalists more responsible and less tempted into political adventures. Between 1870 when he failed to convince the government and the present day, the strategy has been to persuade the Press to agree to some form of official regulation. The Press has not been uncooperative but it has displayed remarkable resilience. Though the official spokesman explained in the Rajya Sabha that the Press Council was intended "to have a rectifying influence on erring editors and journalists", it may be confidently anticipated that nothing of the sort will be achieved.

C R Pattabhiraman's smug reference to the Constitution betrays a mood which can be nothing less than a challenge to the Press. "The freedom of the Press," he observed, "given to us by the Constitution should not be abused": an extraordinary idea this, that the freedom of the Press is a boon conferred on those engaged in running newspapers, of which they must prove themselves worthy. The Deputy Minister for Information might be reminded that by a constitutional amendment the Government itself placed some restraints on freedom of expression. Action of this nature coul[...] called an "abuse" of freedom, not [...] exercise of freedom. While the d[...] necessitated by the reference to Se[...] Committee is welcome, we would [...] ously ask the Government of India [...] consultation with its Registrar of Ne[...] papers and the State Government[...] survey the performance of the In[...] Press after Independence.

There is room for improvement [...] the Indian Press. We could do wit[...] far greater appreciation among jou[...] lists of their responsibilities — not [...] the Government of the day, not to t[...] proprietors, not even to their own [...] terests, but to the public. Those who [...] part of the Press know better than [...] outsider what the defects are. [...] might sound an impertinence in [...] age when the common sentimen[...] that almost anyone outside a ne[...] paper office knows better than we [...] what makes a good newspaper. [...] newspapers discharged their respo[...] bilities to the public, the Governm[...] we can assure it, will find life [...] much more difficult than it does [...] day. Apart from retailing the tit[...] tattle of New Delhi which is no m[...] difficult than rehashing gossip and [...] effusions of sundry drawing-roo[...] newspapers are content with acc[...] ing government statements at th[...]

face value. If Information and Publicity Departments functioned with intelligence and understanding, they could exploit, what every official in this arm of government fully knows, the dependence on official hand-outs.

A great deal has been said about the "sensational press". Everyone who has had some acquaintance with Indian newspapers, knows that there is very little of the kind of reading which occurs in the "sensational" Western newspapers. It would be fair to observe that the "sensational press" of India has flourished, where it has flourished, purely by reason of the restricted outlook of the national newspapers whose editors too often regard the freedom of the Press as some precious commodity to be preserved for their own benefit. No one with a grievance would resort to the "sensational" press, if he could be sure of securing a hearing; in fact, no one would even care to seek the assistance of the Press, because there is all the difference between securing satisfaction and obtaining publicity. But, on the one side, government officials are difficult to approach, and, on the other, the great newspapers are reluctant to champion causes. In both, there is more than a little lethargy because obviously the government and the big newspaper have the resources and the necessary access to sources to investigate.

Can the Press Council "improve" this state of affairs? It can, if the attitude of those who want it might be taken as some indication of how it will function, only make it worse. The big newspapers are not the stooges of big business—they are big business themselves. What is the Government going to do about it? Run newspapers itself? Subsidise weaker newspapers to free at least part of the Press from its dependence on industrialists? Introduce a public sector to reflect the mixed economy of the country? The British toyed with these ideas and gave them up as impracticable. A press which supports the Government indiscriminately, will defeat the very purpose for which it is brought into existence. No government—at least, none that we can envisage in India—would promote a critical press. What is the Press Council supposed to do about this? It cannot force a newspaper to adopt a policy or even to publish news which the particular press tycoon strongly believes is detrimental to him. Considering the problems confronting the Government and the party in power in its dealings with big business, the Press Council will be an instrument for dealing with the "sensational" press—in other words, for plugging the only ventilation for the grievances of ordinary men. These newspapers are inadequate, discredited, disreputable, if you want strong language. But they are, undependable and erratic though they be, the last hope of the aggrieved. They do not make for a healthy Press but must we on that account resort to a remedy which will be worse than the disease?

Favourite Sons

DOMICILIARY restrictions imposed by various States on the admission of candidates to professional and technical institutions are to be eliminated after a five-year transitional period during which there will be a system of reservation for outsiders. This decision was taken at the meeting of a committee of Zonal Councils for national integration.

That domiciliary restrictions on admissions to educational institutions (including those which are not 'professional or technical') violate the concept of a single citizenship of the country hardly needs any proof. Although similar practices exist in some other countries (in U S A the universities financed by States do charge higher tuition fees to students from outside the State), in India the Central Government's contributions to the State finances are substantial enough to invalidate the possible argument that the expenditure incurred by a State government should benefit only those who (or whose parents) have contributed to its revenues for a minimum specified period. Besides, the inter-State mobility of population, and particularly of students, is one of the most effective and important means of promoting the emotional integration of the country; and obstructions to such mobility need to be removed with the utmost speed. One cannot, therefore, urge too strongly that the elimination of domiciliary restrictions on admissions must extend to all educational institutions and not merely to those in the category of 'technical and professional institutions'.

It is difficult to see any rationale behind the decision to have a five-year transitional period. The system of reservation for outsiders is hardly an improvement over the present situation for it already exists in many, if not all, States in the technical and professional institutions. And five years is not a short period. It appears to be only a concession to the firmly-entrenched vested interests. When will the leaders realise that any delay in curbing the unhealthy impact of narrow provincialism on our educational institutions could be disastrous to the cause of national integration?

A sceptic even doubts whether the decision of the committee will actually be implemented. True, the committee was composed of the vice-presidents of the five Zonal Councils—State Chief Ministers all—and the Union Home Minister was its chairman. One would normally expect the decisions of such a committee to carry sufficient weight to be implemented effectively. But things can easily be (and often are) left in cold storage. In fact, the meeting of the committee at which the decision was taken was itself the first in two years. Of course, one would be only too happy to be proved wrong here.

There is the related problem of domiciliary restrictions on the award of freeships, scholarships and fellowships. Until recently, in the government colleges in Maharashtra, residence in the State was given priority over merit and need; and honours and assistance were awarded only to those students who satisfied the domicile test. The Maharashtra government removed this restriction about two years ago. But it is possible that other States still maintain such restrictions. The committee would have done well to review the situation.

However, even in Maharashtra there continues to be discrimination in the award of merit scholarships. Students who have passed the S S C examination from outside the State are not awarded merit scholarships during their first year on the ground that the standards of examination and grading vary. Some universities also apply a similar rule to students who seek admission to their portals after passing an examination from another university, even when the relevant examination has been recognised as equivalent to theirs. Underlying this rule is the rather 'egocentric' assumption that the standards of the particular university or S S C Boards are higher than elsewhere and, there-

fore, the students coming from outside may have had the advantage of less difficult examinations and/or lenient grading. While this fear may in some cases be genuine the present situation calls for some serious thought. Perhaps, the answer to the problem might lie in evolving something similar to the College Entrance or Graduate Record Examinations in U S A which are conducted by the Educational Testing Service (Princeton, New Jersey) and are accepted by a very large majority of the colleges and universities of that country as providing a uniform evaluation of the ability and aptitudes of students.

It is high time that the University Grants Commission paid attention to this matter. For, if the fears of certain universities are well-founded, there is an element of unfairness in the award of scholarships and fellowships by the Union Government which implicitly accepts the examination and grac standards of all universities to be cc parable. Further, as the Union Edu tion Minister has admitted, the Con tution needs to be amended to m 'education', at the very least, a conc rent subject. It cannot be over-emp sised that an integrated educational s tem will contribute a great deal to emotional integration of the Ind nation.

Weekly Notes

Higher Liquidity Ratios

THE new and higher liquidity requirements for banks came into force this week. Until now banks were required to maintain 20 per cent of their aggregate demand and time liabilities in the form of gold, cash, balances with the Reserve Bank and unencumbered securities. The amendments to the Banking Companies Act in 1962 stepped up the requirements to 28 per cent 3 per cent in statutory balances with the RBI and 25 per cent in secondary reserves. Banks were given two years to achieve these new ratios, but they do not all seem to have taken advantage of this grace period.

Commenting on the progress made by banks in adding to their secondary reserves, the Reserve Bank, in its report on the "Trend and Progress of Banking in 1963" had observed that the pace had not been too satisfactory in the case of some banks. That despite the substantial increase in their deposits, the position of some banks is still vulnerable in this respect is implied in the reference in the Reserve Bank Governor's recent Bankers' Club speech to the importance the RBI attached to the attainment and subsequent maintenance of the new liquidity ratios. As has rightly been pointed out, the real test would be in the ensuing busy season when advances would rise faster than deposits.

Current liquidity ratios for the banking system as a whole are misleading as they include the State Bank which traditionally has a high proportion of its assets in government securities. Even if one were to exclude the State Bank, the averages would conceal wide individual divergences. It is well known (one has only to refer to the Statistical Tables Relating to Banks in India released this week) that not a few banks have followed a policy of brinkmanship even in respect of the present 20 per cent rule. These banks will find it difficult to maintain the new ratios in the busy season, especially when (as is also the case with some) their deposit growth has lagged behind their credit expansion.

It would be interesting to see what the attitude of the Reserve Bank would be to violations, albeit temporary, of the liquidity rules. What, again, would be the attitude of the RBI if banks borrowed from it against assets other than Government securities to maintain their liquidity ratios? There are, of course, limits to which they can do this under the tier arrangements now in force. How will the Bank resolve the conflict between its credit control objectives and banks' liquidity needs?

Deposits: Confusing Picture

IN spite of various improvements in presentation, the consolidated statement of the position of scheduled banks published weekly by the Reserve Bank still does not fully reveal the actual changes in the banking world. Aggregate deposits of banks, according to the Reserve Bank's weekly statement, increased by Rs 114 crores during July-December 1963. Of this, demand deposits accounted for Rs 100 crores and time deposits Rs 14 crores. One would get the impression from this that time deposits of banks were almost stagnant during the second half of last year. Is that the fact?

An altogether different version of movements in bank deposits is contained in the Reserve Bank's "Statistical Tables Relating to Banks in In 1963". Table 12 of this publicat shows the quantum of scheduled ba deposits at different rates of inter Excluding deposits of Central and S Governments, foreign governments banking companies, aggregate bank posits increased by Rs 96.92 crore the latter half of 1963, according this table. Deposits earning no inte creeped up by a mere Rs 92 la whereas deposits earning interest by Rs 96 crores.

How are the two pictures of cha in bank deposits—the one revealed the Reserve Bank's weekly statem and the other contained in the "Sta tical Tables"— to be reconciled? T large extent, the distortion of the ture of changes in bank deposits sented in the weekly statements is to the non-uniform treatment of ings deposits by different banks, s treating them as demand depo others as time deposits. Since the serve Bank's statutory deposits requ ments are the same for time and mand deposits, it does not matte banks whether they show their sav deposits as demand or time depo The varying treatment of savings d sits does, however, render the clas cation of aggregate deposits into t and demand in the Reserve Ba weekly statement practically mean less.

Even the figure of aggregate bank posits given in the weekly statem may not always reflect correctly cha in the quantum of deposits from public since they include also depo of governments, both Indian foreign, which are nowhere separa

shown. Publication of figures of banks' savings deposits and of deposits of governments, if not weekly at least once a month, will enable better interpretation of movements in bank deposits than is possible now.

The increase of Rs 96 crores in interest-bearing deposits during the latter half of 1963 conceals movements in opposite directions of deposits at different rates of interest. Deposits earning 3 per cent and above rose by Rs 158 crores whereas those earning less than 3 per cent declined by Rs 62 crores. This shift to higher interest earning deposits is remarkable. It casts doubt on the belief, surprisingly widely-held among bankers, that deposits are interest-inelastic.

In retrospect it also seems that all the hue and cry last year about acceptance of deposits by commercial and industrial concerns, to which bankers naturally contributed their share, was less justified than appeared then. The stickiness in banks' time deposits which appeared to substantiate the hypothesis of an appreciable shift of deposits from the banks to non-banking agencies, loses much of its significance in view of how flexibly banks classify their savings deposits.

The increase of Rs 96 crores in interest-bearing deposits is distributed differently among different categories of banks. Thus banks with deposits of Rs 100 crores and above mopped up Rs 66 crores whereas those with deposits of between Rs 25 and 100 crores were able to collect Rs 23.4 crores. Apart from the question of public confidence and stability of banks, differences in the ability to attract deposits is also due to the advantage of branch-banking which the bigger banks have over the rest.

Room to Swing a Cat

THE slight improvement in the foreign exchange position, brought about by a substantial rise in exports and increased inflow of assistance, offset to some extent by large imports, added Rs 10 crores to foreign exchange reserves in 1963-64. It is, perhaps, more than a coincidence then that the Commerce Minister, Shri Manubhai Shah, announced this week the establishment of a revolving import export stabilisation fund of Rs 10 crores. True, this amount is not being raised out of our own reserves but from lines of credit "already secured" for $20 million. The sources of credit are not known as yet but presumably comprise some foreign banks, as suggested by the Mudaliar Committee. The credit would have been far more difficult to secure if our export performance had not improved substantially—and our reserves not gone up in spite of the repayment of Rs 24 crores to IMF.

Details have yet to become available. The only official information given out so far is that credits out of the fund would be given on a revolving basis to manufacturer-exporters to import raw materials, components and spare parts for manufacturing goods destined for export. The credits would probably be up to 18 months to allow, say, up to 6 months for getting materials and up to 4 months each for processing, export and payment. Replenishment of funds would be guaranteed by Government which will, in turn, secure undertakings from the beneficiaries to earn a specified value of exports. The principal difference between this and the incentive import licences under current export promotion schemes would be that the new schemes would tie present imports to future exports rather than the other way round.

The Mudaliar Committee had suggested a fund of Rs 25-30 crores to increase exports by Rs 100 crores a year on the assumption that imported raw materials and components would cost approximately one-half, and that the fund would also supply indigenous stores wherever possible at international prices. It was in favour of setting up an autonomous agency to administer this fund but the Government has, fortunately, resisted this temptation and will probably delegate the responsibility to the reorganised Export Credit and Guarantee Corporation.

So far as the banking aspect of the scheme is concerned, one of the problems likely to come up is the relatively long maturity envisaged for the credits. Normal acceptance credits are for three to six months and the participating banks might, therefore, have some difficulty in refinancing themselves. The amounts involved are, however, not likely to be so large as to worry overmuch foreign banks, especially when the securing of clients for allied bank services is also taken into account. Who are the foreign banks anyway and what kind of tie-ups are they going to have with Indian banks?

Aid in Reverse

IT needed some imagination and courage to project India as an aid-giver but the move has been made. The Government has sponsored a mission to certain African countries to discuss the possibilities of private and public collaboration in local industrial projects. Earlier, some leading industrialists were encouraged to go to Nepal. These relatively isolated steps have been followed by the Finance Minister's announcement at the Tokyo Fund Bank meeting that India is negotiating with IDA to explore the possibilities of using India's rupee contribution to the IDA for assistance to other countries. No further details have been given but it can be presumed that this is part of the evolving foreign policy which will stress development of economic relations with Afro-Asian countries. Aid is an essential ingredient of economic relations between a large and relatively more developed country and smaller less developed countries. This ingredient has been missing so far.

Our aid programme has been restricted to Nepal and that too under the Colombo Plan. Grants to Nepal amounted to Rs 3.21 crores in 1961-62, Rs 2.92 crores in 1962-63 and Rs 4.70 crores in 1963-64 and the provision in the 1964-65 budget is Rs 7.66 crores. By some queer twist of aid terminology, these estimates, it is believed, include the expenses of the Indian Aid Mission in Kathmandu, an item the parallel of which would not be accepted in New Delhi. Other Colombo Plan Grants, distributed over the whole of South Asia, average Rs 25 lakhs a year. The only allocation, apart from the Colombo Plan, is Rs 1.43 crores a year to the U N Special Projects Fund and Expanded Programme of Technical Assistance. These amounts are supplemented, in the capital budget, by a highly deceptive item "Loans to Foreign Governments", which consists almost wholly of swing credits to centrally planned economies under annual trade agreements. This item amounted to Rs 7.85 crores in 1961-62, Rs 20.23 crores in 1962-63 and Rs 14.77 crores in 1963-64: Rs 16.10 crores is budgeted for 1964-65.

The genesis and implications of the offer to use for aid the Rs 17 crore rupee subscription (the remaining Rs 2 crores are in dollars) to the IDA are not clear but the idea appears to be an offshoot of a proposal to set up an aid fund under the Ministry of Extern-

al Affairs. Normally, convertibility of a country's subscription implies that the amount can be spent by a borrower in any country which is a member of the IMF and Switzerland, but that could not be the Finance Minister's intention. The convertibility if it can be described as such, would probably be limited, by informal arrangement, to purchases from India. If the World Bank and IDA agree to it, this would be perhaps an unprecedented arrangement.

This and similar other schemes involving the export of capital would have some impact upon the balance of payments situation in the short run but as other, even nominal, capital exporting countries have found, such outflows earn financial and political dividends large enough to make the effort worthwhile.

J P's Initiative

A Correspondent Writes :

THE events leading up to the partition of India, its immediate aftermath, and the continued suspicions and grievances of both the Indian and Pakistani Governments must constitute one of the most tragic chapters in modern history. (If the testimony of the famous portrait photographer, Margaret Bourke-White, in her recently published autobiography is accurate, even Jinnah was stunned by the tragedy of what happened in 1947).

A constant excuse for being bad neighbours is provided by the Kashmir problem. With all his great and genuine love of India, with all his flair for foreign affairs, and with all his sense of history, Nehru displayed an inexplicable complacence about the Kashmir problem. He sat on a volcano for seventeen years pretending that it was a soft comfortable seat; it was lucky for him that the volcano did not erupt during his lifetime.

Proclamations of Kashmir's increasingly 'final' accession to India do not constitute a solution of the problem. Even if each of the proclaiming Kashmir Governments could honestly claim to represent "the will of the Kashmiris", a statesman could not possibly consider the problem as solved while Pakistan continued to occupy part of Kashmir and continued to press her claims over the rest, with more than a little sympathy in some foreign countries that her case deserved to be heard.

It is in this context that Jayaprakash Narayan's views about the Kashmir problem (and the Chinese problem) need to be understood. It is highly fortunate for India that a political leader of J P's intelligence and sensibility should be far enough removed from power and the hope of power that he can urge the nation to think about her international problems in ways other than the accustomed ones. Other nations before us have had to do this.

The sore of Kashmir should not be allowed to fester for another seventeen years. (If our Government is not almost superhumanly tactful, imaginative, farsighted and courageous, the border quarrel with China is bound to become another non-healing sore. In a forgetful moment Nehru did admit as much once when he said that the quarrel with China will continue for a very long time). Of course, we need to preserve our self-respect; but as a country where centuries have galloped past without bringing about that improvement in the unhappy lives of the majority which is taken for granted in some fortunate countries, we cannot afford the luxury of never accepting in international disputes a little less than what we ourselves consider to be our fair share, and thus perpetuating distractions which are expensive in material terms as well as in terms of mental and emotional energy.

That seems to be J P's fundamental argument for asking us to re-think about Kashmir (and China). Of course, it is possible that inspite of our showing a greater readiness to follow a policy of give and take, Pakistan (and China) may refuse to budge from their "total" demands. But these things can be meaningfully investigated only at a conference table and not through statements to the press. In the e vigorous days of his foreign po, Nehru used to urge disputant cc tries to come to a conference t, without any pre-conditions. \ should the same good principle apply to India's disputes with neighbours?

Voices have been raised against legal propriety of J P's mission Pakistan. But J P has been carefu emphasise that he could not in way commit the Indian Governm That the task J P has undertaker difficult and thankless is indicated the nature of the predominant reac in India to his ideas, and by the sence in Pakistan of evidence readiness to readjust traditional a tudes. Within days of his talks v J P, the Pakistani President was ing in Mastung, in West Pakistan, the "arms build-up" in India had dangered peace in the region; and first official Pakistani reaction (as dicated by their Central Informa Minister in Lahore) to the sugges for setting up a group in Pakistan further friendship with India has b that such a group would be of no unless there was a genuine change heart on the part of the Indian le ers. These are words of people v blinkers (and, of course, there plenty of such people in India too

No miracles have been perforn but J P has done the highly useful of giving some jolt to the rigid thi ing of at least some people in two countries. Having said this must be added that J P is in need not getting too deeply involved v politicians whose motives and a may be quite different from his, who may find it convenient to h the apparent support of his name.

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Capital View

The Drift and Its Character

Romesh Thapar

WHAT 'view' can one have of major matters when the Capital is threatened by a water supply heavily polluted by sullage, when flooded rivers, swollen drains and breached bunds have created a flood problem the like of which we have not known for a long time, when the electric supply is switched on and off as if children have taken over the controls, and when it is common knowledge that so much of this crisis is man-made, rooted in lethargy and in our incapacity to plan for these kinds of emergencies? The indignation is widespread, but, as always, there is little else.

Nevertheless, things are happening which have relevance beyond the immediate problems of living. The incipient anti-Nehruism of a faction which was rather vociferous during the recent AICC session in Delhi received a fitting reply at the extremely well-attended convention of Congress workers organised by K D Malaviya and addressed by various party leaders, including Kamaraj. The intervention by Indira Gandhi was especially spirited and to the point. She attacked the general drift in the party, the loose talk of modifying the objectives of our planning strategy, and urged members to act against those who were a liability to the organisation.

Daily, the evidence collects that there is a deep stirring taking place at the base of the Congress Party. The ranks, and more so those active in the field, are tiring of the interminable quarrels of the leadership for office and patronage and are anxiously searching for a properly spelt-out programme which galvanises the party and reduces its present dependence on cynical faction leaders and political fixers.

However, it still remains to be seen whether the ruling party can throw up enough men to canalise these trends, particularly at the State level. At the moment, there is a marked lack of ideological ballast among those who are active—the reflection of an age when Jawaharlal Nehru was relied upon to do the thinking and to plan the action.

In this connection, the new-found respect of the Swatantra Party leadership for the Shastri Government has been carefully noted. So, too, the reluctance of the Jan Sangh to mount an offensive on a hard-pressed administration. In this climate, the careful efforts of the R S S and Golwalker to 'enter' the Congress also do not spark the angry reaction which one would have expected. And a host of periphiral-publicists are heard in explosive silence as they speak expensively of moves to hand over Kashmir to Pakistan and to change various domestic and foreign policies before the next election. It certainly appears as if a more united Right is exploiting the present drift to infiltrate the ruling party even as the divided Left divides itself further.

Some Improvement

In certain spheres, however, it would appear that there has been some improvement in our conditions. Preparations are well advanced for our participation in the non-aligned conference early in October; not only has Foreign Minister Swaran Singh made personal contact with our neighbours, but Foreign Office representatives have been busy in Asia and Africa mobilising support for the positions we would like to adopt.

Our Defence Ministry Mission led by Y B Chavan has just completed highly successful negotiations for the purchase of supersonic fighters, ground-to-air missiles, light tanks and naval craft from the Soviet Union; now President Radhakrishnan is being feted in the USSR in such manner as to make clear to the world that relations between Moscow and Delhi are as warm and cordial as ever.

At the same time, the US Government has expressed its willingness to assist in the manufacture of supersonic aircraft at Bangalore. Not bad. Under-developed India, still hopelessly dependent on PL 480 food, appears to have negotiated herself into two aircraft manufacturing plants!

Read against the pro-Indian views of Hubert Humphrey, the US Democratic Party's vice-presidential candidate, these developments could convince many an optimist that India is after all becoming the point of disengagement between the two major powers.

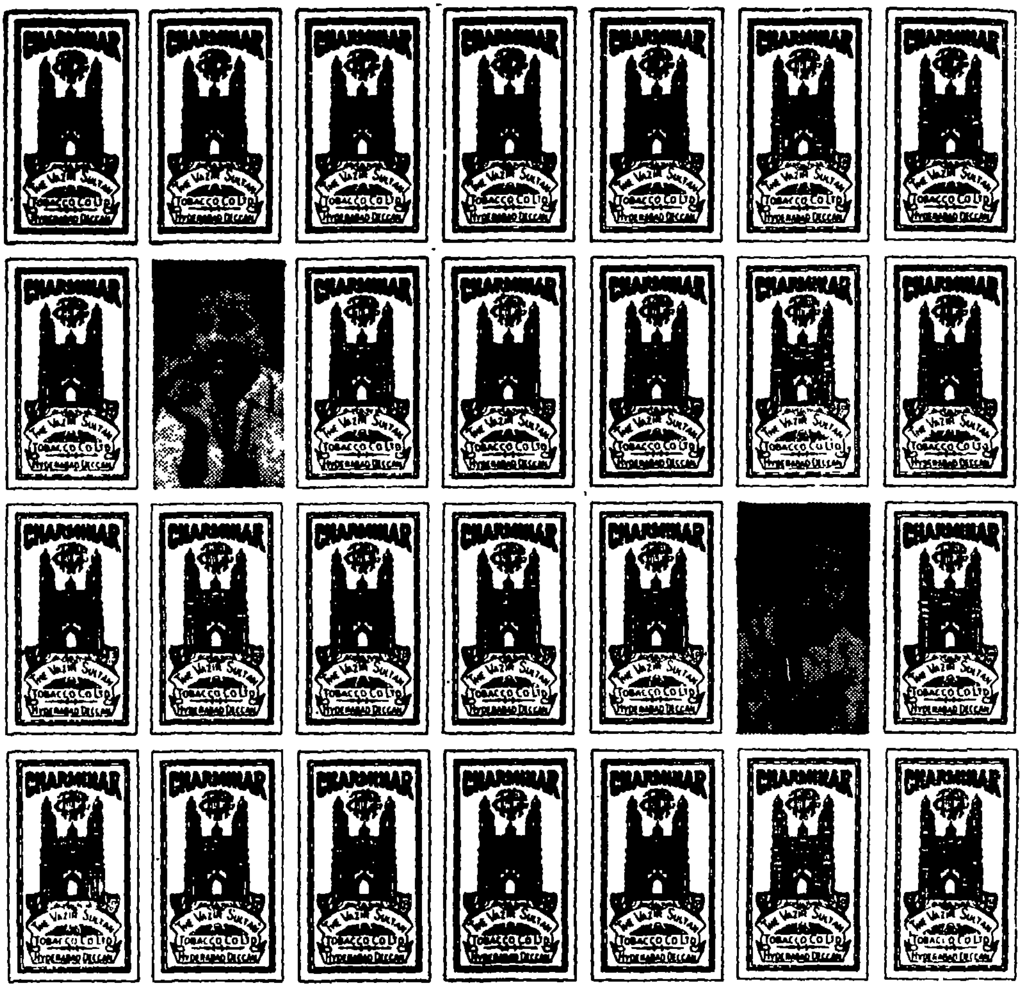
These encouraging surface signs help to underline a development which we in the Capital are taking increasing note of — that India's international position, so much damaged by Peking's adventurist postures against us, has improved considerably during the past year (even though we have not done anything to help the process!) The great new test will be the non-aligned conference to be held in Cairo. Does Prime Minister Shastri realize the need for asserting well thought out independent, dynamic attitudes at this gathering? The question is pertinent, for we seem to be as vague and indecisive in foreign affairs as we are in domestic matters—a flabbiness which Swaran Singh has yet to cure.

The crucial, conditioning policy plank should be to inject into the concept of non-alignment a credo of action. There is general agreement over this, the only dissenters being those who would adopt an isolationist position. But what would an action programme for the non-aligned amount to? A number of relevant ideas have been expressed.

* Action to establish some kind of acceptable consultative machinery which would address itself to the tensions and conflicts *within* the non-aligned world, situations which threaten international peace and make the region vulnerable to the intrigues of the committed.
* Action to organise a permanent economic commission of the non-aligned to encourage mutually-beneficial trade and growth within the area and to safeguard the interests of the under-developed against the developed.
* Action to ensure constant and fuller communication between the non-aligned, action which helps to research understanding among them and builds general harmony.

Obviously, India should be the most active in sponsoring an action programme. At the most opportunist level, such a programme would serve her present interests. But the truth is that we are content to meander, this way and that, in the hope that such flexibility saves us a lot of embarrassment. In the process, we lose our catalytic role. If we refuse the opportunity offered by the conference in Cairo to rally the non-aligned world, and to give it a positive direction, a series of diplomatic retreats and withdrawals from crucial foreign policy positions will become inevitable — for our foreign policy cannot continue for ever in its present amorphous shape.

In an imperceptible sort of way Parliament is beginning to reflect the disquiet in the country over the lack of a determined effort to evolve a policy. The old anti-Nehru stalwarts would give the Shastri government time to 'adjust', but by and large, on the Right and on the Left, the demand is for decision. This trend is healthy and should be encouraged, not explained away with excuses of doubtful validity.



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ok Review

Don vs the Duns

The Cold War and the Income Tax: A Protest By Edmund Wilson, W H Allen, London, 1964, 12s 6d net, pp 120.

'BETWEEN the year 1946 and the year 1955, I did not file any in- ome tax returns. Up to the end of 943, I had been living for years on shoestring. ...At the end of 1943, was offered a regular job on the *ew Yorker* magazine doing weekly erary articles, and in order to meet rtain debts which I had contracted hile writing my book I accepted it nd moved to New York...I was then a regular salary, and from this, of ourse my income tax was withheld. y wife and I filed returns at this me" (p 9) ..."But by the beginning 1945, my wife and I had separated .From this time I ceased to file." 10)..."One day, coming back om a journey—in June 1958—I ound a notice from the Internal Re- enue Office in Utica, ordering me to t them know when and where I had st filed an income tax return". 15). Thus began the distinguished merican literary critic's saga of trials d tribulations with the peculiarly lentless U S income tax authorities. round this peg of personal misfor- nes he hangs his musings on the istory, nature, rationale and the ublic morality of the U S income tax. e poses and answers the two big ddles; why so much tax and what e money is going for.

Disturbing Book

It is a powerful and profoundly dis- urbing little book that will take its lace in the literature of Protest. It ould, of course, be only too easy nd tempting, as many uncharitable ut well-fed knight errants of the wel- re State have already done, to dis- iss it as the outpouring of a soured ccentric who happened for one reason nd another to get caught in the tax atherer's net. The high-minded and npeccable logicians and social scien- sts will doubtless find more than one hink in Mr Wilson's armour. But this ould be to elaborately and solemnly iss the point of it all. It would be hurlish to cavil in the face of the uthor's gracious admission. "It may eem naive, and even stupid, on the art of one who had worked for year n a journal which specialised in public ffairs, that he should have paid so ttle attention to recent changes in the income tax laws" (p 11). But even the knowledge of the minutiae of the statute and case law on income tax would not have availed him in his vastly unequal tussle with the Internal Revenue Service. Mr Wilson is no anarchist or even a rather peculiar species of a literary Poujadist. Nor is he a stage Irishman agin' the govern- ment. His sentiments are the under- standable reactions of a sensitive and humane personality—never mind the private misfortune—against the work- ings of a mindless and faceless fiscal bureaucracy hell-bent on its appointed task of raking in the required shekels from helpless tax-payers. Its import- unities would disgrace a mediaeval bum bailiff.

Needless to say, Mr Wilson comes off second best. But he points many a moral. The section entitled 'Bureau- cratic Theology: the Tax Jungle' is a splendid essay in gentle irony as well as biting sarcasm. "In the course of my dealings with the IRS, I did not expect comprehension of the peculiar conditions of a writer's work... The question of what ought to be taxed and how much and which deductions ought to be allowed has reached a fine-spun complexity that—working in terms of a different set of values—re- calls the far fetched distinctions of mediaeval theology...One of the most richly diverting departments, how- ever, is that of deductible expenses... A Hollywood actress could deduct the cost of her expensive wardrobe on the ground that a movie star is required to look well-dressed; but she could not deduct the cost of undergarments because the public did not see them". (pp 38-40). So the list goes on.

To What Purpose?

But more disturbing are Mr Wilson's revelations about the end-purpose of all this frenzied tax-gathering. How do the duns dispose of their collec- tions? The answer is the Moloch of defence expenditure including the less publicised outlays on CBR, chemical- biological—radiological warfare. "This artificial cultivation of yellow fever and cholera epidemics, after the cen- turies when humanity has suffered from them and when cures and con- trols have at last been found, must be the most macabre irony of mediaeval history... The one thing that is diffi- cult to deal with is a technique to prevent them from crossing frontiers and so depopulating the countries that are spreading them". (p 85). All this in the name of defending the free world. But how free is the free world and how much do modern states spend on the Arts as against the mammoth expenditures on scientific research for building up nuclear and other capabilities? What can we do to make tax laws equitable and humane to the creative artist? But Mr Wilson may well have brought in for good measure that other incubus of the writer—the publisher. (Sir Alan Her- bert please note!). Not all successful writers can command the business acumen of a Ian Fleming. It is only a bare fact that tax laws everywhere afford the utmost concessions to the well-padded men in Grey Flannels and the denizens of the Executive Suite and grudge bare reliefs to the most creative elements in society. Is this also a part of the eternal moral sick- ness of the Acquisitive Society? Yet, from another point of view, Mr Wil- son's theme—Man v Bureaucracy—is surprisingly common to all societies. The collectivist utopia manifests it as much. Witness Dudintsev's "Not by Bread Alone". But that does not ab- solve the economic Bourbons of liberal societies.

Safe Limits

But where does one go from here. Taxes, like the poor, perhaps shall al- ways remain with us. But how much (tax) ruin is there in a nation? How does one account for Gladstone losing the general election after proposing the abolition of the income tax? (A curly one even for Mr Wilson). Perhaps the economist may appreciate even more the worth of 'Cold War' and the Income Tax in juxtaposition with Parkinson's 'Law and the Pursuit of Profit' and Colin Clark's hypotheses of the safe limits of productive taxa- tion. In the meanwhile what of the mute inglorious assessees, the eternal toads under an indestructible tax har- row who do not even have Mr Wilson's privilege of protest?



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Panchayats and Interest Groups

Study of a Bengal Village

Ranjit Chaudhuri

Some significant changes in group behaviour and inter-group relations are slowly becoming evident as a result of Panchayati Raj.

The anomaly of social inequality co-existing with political equality has accentuated tensions in village society. Out of this process a new alignment of social forces is emerging.

One of the characteristic features of the new shape of group relations is the formation of a 'village elite'.

Previously the elite came from the upper castes exclusively. Now it is more widely diffused. All interest groups in the village have begun to exert pressure for advancement They do this through their own leaders. These group leaders are coming to constitute the 'village elite'.

THE Panchayat's function being essentially one of broadening the basis of democracy, its evaluation should be in the light of new relationships that emerge in the village. The Panchayat functions among many groups which represent different interests, activities, etc. A village is made up of different groups which are identified by their distinct purposes, interests and activities. These groups can be called interest groups. "Interest groups arise", as J H Kolb and E Brunner observe, "out of likenesses and differences in age, sex, occupation, tradition, experience, choice, propensity, intent, and so on" and "They can be considered in terms of the purposes of functions they seek to serve or the kind of forms or structures they assume" ("The Study of Rural Society").

Hariharpur

In order to understand the complex forces and interactions of interests in the village society it is very important to consider the interest groups. For these groups ultimately generate pressures for privilege and group benefit.

The people of Hariharpur village are divided into many such interest groups The total population of the village is 939, the number of men and women being 485 and 454, respectively. The division of population into male and female is important not only from the point of sex but also from the view point of occupation. The women of the village do not have any occupation except household work. So they can be represented as a distinct interest group. They have separate problems. The Mahila Samity of Hariharpur is the organisation of this particular interest group. The Mahila Samity lays stress on self-dependence by women. The Samity opens a window for those who want to work outside the home. The Samity has a committee consisting of twelve members. All the members are women. It has three hand-looms, runs a tailoring department, and gives training in tailoring and weaving. Several handmade products are produced here. The only organisation of women, the Mahila Samity, therefore, represents the distinct interests of women in the village of Hariharpur.

The male members of the village represent a separate interest group. The male population has a distinct occupation structure. They share different attitudes and values. This group can be divided into two sections– the old and the young. For these two sections are quite distinct by their attitudes and value-systems. To take one example, the older group believes that women should be confined to household activities whereas the younger group feels that women should take part in different welfare activities of the village along with the men. However, the character and form of the village society depend on the emerging pattern of social values which ultimately give shape to the social institutions.

Caste Composition

To go to the root of group structure, the primary group in all societies is the family. The basis of all social forces lies ultimately in the socio economic basis of the family. Families stand in a series of social relationships with one another. The families can be divided into different caste-groups. The caste-groups have a hierarchy of status. The following table would show the number of families in each caste-group:

Brahmin	31
Kayastha	56
Vaidya	1
Chitrakar	14
Scheduled Castes	36
Muslim	24

Each caste-group with a number of families acts as a separate interest group. For each caste-group is a social and cultural entity. Any person of a caste-group who takes part in village welfare activity becomes gradually a leader in the village. Different institutions now established in the village have provisions for inclusion of all sections of the people. Care is particularly taken not to deny any caste-group its proper representation. So all the active members of different castes find place in different village bodies. Here a paradox becomes apparent. For the Panchayat is based on adult franchise, as such its basis is the individual; but in practice its composition is influenced by the caste factor. Caste factions will continue to play an important role in village panchayats for a considerable period of time.

Two Families Dominant

But the effectiveness of a leader does not depend only on his caste affiliation. It depends on a complex of many factors, e g, wealth, education, political alignment, access to higher officials and political leaders, etc. In fact, as a result of the interplay of these factors at least two upper caste families are becoming quite dominant in the village one a Brahmin family and another a Kayastha family.

The Brahmin family is becoming influential because four persons of this family are very active in the social and political spheres. The Anchal Pradhan comes from this family. A prominent member of the Gram Panchayat is his brother whose son again is one of the two Deputy Chairmen of Hariharpur Anchal Service Co-operative. His younger brother is also a member of the Board of Directors of the Co operative.

The Kayastha family in the same way enjoys a very important status. A member of this family is Secretary of the Co-operative. He is one of the two graduates of the village. One of his brothers is a prominent member of the Gram Panchayat and the third is Secretary of the Jagrity Sangha. His father



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was the founder-Secretary of this Sangha.

These two families are upper caste families. The upper caste families enjoy the highest prestige and power because of their initial advantage of wealth, education and culture. In this regard a voluntary association also has played a very important role. The leaders of this voluntary association were supplied from the higher caste and through the influence of this association they sustained their position in the village. This voluntary association, Jagriti Sangha, was formed in the year 1948. The history of the Jagrity Sangha throws much light on the process of social development of the village.

Before the Jagrity Sangha was formed the village was divided between different caste-groups, each caste-group occupying a geographical area called "para"—such as, Brahmin para, Kayastha para, Mondal para, etc. These paras were often engaged in quarrels among themselves. Sometimes they would even cease to be on speaking terms with each other. The result was that the people as a whole never made any concerted effort for village welfare. The condition of village roads was miserable. There was not a single road in the village usable during the monsoon. No effort was made by the villagers to arrange for vaccination, inoculation, etc. And there was absolutely no provision for sports or outdoor games for the young boys.

A Voluntary Organisation

This predicament of the village ended when the younger group in the village boldly came forward to form a sporting club for themselves. The idea was approved later by the village elders and the Jagrity Sangha was formed. It was the only organisation at that time in the village. The statutory bodies had not been formed. The Sangha not only united the younger section of the village and arranged for sports and games, it also devoted itself to the task of road construction, holding night classes for the children as well as for the adults of the peasantry. It started a library. Now and then it has been trying to make the villagers conscious of the activities of Government. Staging dramas and theatrical performances constitute the other side of its activities. In short, Jagrity Sangha is the life-centre of the village. People's response was spontaneous. It could fulfill more or less all the needs of the villagers.

As a result, the leadership of the village came from the founders of the Jagrity Sangha. Gradually these leaders moved into wider fields of social and political activities. As a first step to rise to fame and prominence they established relations with the most influential person of the locality. It was Dada Saheb. Dada Saheb was influential in the Congress as well as in the State Government. He was made President of the Jagrity Sangha. So a close connection with Dada Saheb helped its founders to find access to the higher echelons of the ruling party and the Government.

In view of the fact that whatever development has taken place in this locality has been due to the connection of Dada Saheb with it, the area has remained one of the strongholds of the Congress. No other party has been able to make a dent into the locality as yet. So it is not easy for a person having loyalty to any other party to hold any important post in any institution.

One salutory effect of this has been that unity and concord has been established quite easily. Dada Saheb with the help of other influential persons of the locality very successfully organised a co-operative in the locality Hariharpur Anchal Service Co-operative Ltd. At present it has 800 members. The Co-operative deals in different goods consumed by the villagers, administers the modified rationing and gratuity relief systems, markets agricultural products, organises savings and credit, supplies husking machines, manure, insecticide, sprayer, duster etc. Dada Saheb was the first Chairman of this Co-operative. The present secretary, a Kayastha by caste, and one of the two deputy chairmen, a Brahmin, belong to Hariharpur.

Impact of Panchayat

Although much importance has been laid on the Panchayat, the co-operative because it directly bestows benefits on the people, is more popular than the Panchayat and the office bearers of the co-operative command more respect from the people. The co-operative is a non-political organisation, but as its office-holders are involved in politics, the co-operative exerts considerable political influence also. The people who are members of the Co-operative and directly receive benefits from it are generally with the persons occupying leading positions in the Co-operative. The directors quite obviously utilise, when necessary, their office and influence for political ends.

Moreover, the interactions and inter-relations which different institutions enter into are marked by political motivation. This would be clearly revealed in the case of the South 24-Paraganas Sports Association. As all the sporting clubs of the entire region are affiliated to this Association, it exercises some influence on the younger section. So, although the primary function of the Association is to organise sports and games the office bearers are no less guided by considerations of political gain and loss. In the emerging political society there is a strong tendency to institute all activities with political interest. The institutions of decentralized government at the village level reflect and respond to this politicisation.

The Panchayat has not yet acquired any great importance, for it does not perform any vital function. The West Bengal Panchayat Act requires the Panchayat to look after sanitation and drainage, supply of drinking water, construction and maintenance of public streets, etc. There are some other functions to be performed by the Panchayat only when asked to do so by the State Government, such as, administration of primary and technical education, health centres and irrigation, sinking of wells, promotion of co-operative movement and cottage industries, etc. The latter functions have not been yet delegated to the Panchayat. The financial resources of Panchayat are also so meagre that it can undertake no work of importance.

New Tensions

The result is that although the Panchayat generates in the people a hankering for power, it is totally ineffective in satisfying it. This process creates frustration among the rising elite of the village. This paves the way for the political partys' capture of the imagination of these people. In a politicised society, a person occupying some position in the power hierarchy is accorded a high status.

Here the changing pattern of inter-personal relations is perceptible. At the same time village institutions are becoming more and more formalised and assuming an increasingly bureaucratic character. In the institutions a set of rules and regulations specifying the conduct of members vis-a-vis other members have formed the basis of inter-personal relations. Inter-personal communications and relations are becoming gradually depersonalized. This is a characteristic feature of a bureaucracy. As the impersonal forces in the social process are becoming evident, gradually the Panchayat which is based on a set

of formal rules and regulations engages itself in articulating the needs of the village in the manner prescribed in the Rules. This type of formalism may become a great handicap, for it may prevent the emergence of a real "consociation of human beings", in Buber's phrase.

Because of the bureaucratic functioning of the Panchayat, its local and decentralized character has been greatly compromised. The Panchayat is functioning to-day as a mere adjunct to the administrative machinery of the State Government. It rather enables the State to spread its tentacles to the heart of the village and thus bring the entire society within the ambit of its formalised power-structure. The policies and programmes are decided at the State level and the Panchayat is required to merely execute the limited tasks assigned to it by the State Government. As a result the principles of decentralisation are receding into the background. Decentralisation here comes to mean only the delegation of power to a locally constituted body.

Changes in Group Behaviour

Consequently the Panchayat remains feeble. It is not an adequate agency for articulating the real needs and aspirations of the village. In Hariharpur when the Panchayat was not formed, the Jagrity Sangha as a voluntary association used to do welfare work. But now there is some covert competition between the Jagrity Sangha and the Panchayat. The importance of the Jagrity Sangha is fading day by day. The night school started by it has long closed down. Road construction now being the responsibility of the Panchayat has gone out of the sphere of activity of the Jagrity Sangha. Spontaneity has, thus, disappeared and formalism has been introduced.

With the introduction of the Panchayat some changes in group behaviour have also come to the surface. The formal recognition of equal status of all persons in the village is very significant in this respect. As a consequence, the anomaly of social inequality co-existing with political equality eventually leads to social tension in the form of group rivalry, competition and conflict, and thus, in the process, a new kind of realignment of social forces is likely to emerge. Evidently this change would come from within the village society and not from without.

One of the characteristic features of this new form of group relation is to be found in the formation of a village 'elite'. Previously the elite was confined to the upper castes. Now it is more widely diffused in the society. Although the key posts are still held by the upper caste people, this is due to the initial advantage of these castes. Gradually all the groups in the village exert pressure for advancement. They do it through their group leaders. These group leaders become gradually the elite of the village. Thus the Panchayat opens the door to vertical social mobility.

The Panchayat in the olden times was not a political institution. It was a social institution of the village. Although the present Panchayat is a political institution deliberately created by legislative and executive action, its efficiency would depend on its transcending its present role and transforming itself into a vital social institution.

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Food in India: Long-Term Perspective

R G Agarwala

R P Sinha

The present food crisis is naturally causing great anxiety to the Government and the Planning Commission. As short-term measures rationing of foodgrains has been introduced and attempts are being made to discourage hoarding and speculation in foodgrains. A state-owned Foodgrains Corporation is being created to undertake buffer-stock operation to regulate and stabilize foodgrain prices. As a long-term measure, it is being suggested that there should be a shift from a heavy industry oriented plan to agriculture and small industry oriented plans.

While one would agree that the short-term measures are justified, any major shift in priorities of the Plans would be unwise not only for our long-term goal of accelerated economic development but also for agricultural self-sufficiency itself.

Major policy decisions in this respect must be taken in the light of long-term considerations, rather than short-run gains.

IT is true that the monsoon has not been favourable for the last three years, and a part of the shortage can be explained in terms of unfavourable climatic conditions. It may also be true that the speculative activities of the traders in foodgrains tend to aggravate the food scarcity in the country. But unless it is proved that there has been a considerable increase in the number of such speculators and that they are operating on an increasingly bigger scale, their total impact on the market is not likely to be very significant. These traders generally buy foodgrain at the time of the harvest and unload it at higher prices in other seasons. It can be argued that under the Indian conditions of storage, foodgrains cannot be stored for a considerable length of time, so that the stocks purchased last year or the year before have to be unloaded on the market and replaced by fresh stocks. The total supply in the market would be adversely affected only if the sales of the previous year's stocks were lower than the purchase of new stocks. There is a considerable loss in storage and many traders operate with borrowed capital. Unless the rise in foodgrain prices is very significant (at least 20-25 per cent per annum), it does not pay the traders to hoard except for a short period. In the long-run, hoarders are unlikely to affect the supply to any significant extent.

Estimates of Demand and Supply

Several estimates of the demand for and supply of agricultural commodities have been made for the country as a whole, and there is a considerable difference of opinion on the prospects for self-sufficiency in food. The most optimistic of these estimates is the one by the National Council of Applied Economic Research (New Delhi).[1] They estimate the demand for foodgrains at 133.4 million tons and supply at 139.4 million tons in 1975-76. India is expected to have a surplus of foodgrains to the extent of 6 million tons in 1975-76. They also visualize a surplus in oilseeds, cotton and tobacco.

On the assumption of a yearly 2.5 per cent increase in population and in per capita income we estimate the gross demand for foodgrains at 143-4 million tons in 1975-76.[2] Even if we accepted the supply projection III of the NCAER which gives an aggregate supply of 139.4 million tons— which we consider as too optimistic[3]- we should, therefore, expect a deficit of foodgrains to the extent of 4-5 million tons in 1975-76. If one accepts their supply projection II, giving an aggregate supply of 134.5 million tons, the deficit increases to 9-10 million tons.[1] On top of this we must consider the demand for other food items (i e, vegetables, milk or other livestock products) as well as for agricultural raw materials for industry. Thus, satisfying this greatly increased demand for agricultural products from home sources would necessitate a tremendous increase in agricultural output. As the scope for extension of area under cultivation is strictly limited, it is unlikely that the increase in agricultural output of the dimension required could be obtained without considerable use of fertilizers, water and pesticides, etc.

Fertilisers and Higher Yields

The widespread use of chemical fertilizers has been one of the main causes of higher agricultural yields in almost all agriculturally developed countries. Since 1935 the index of farm output in the USA (1947-49 = 100) increased from 72 to 124 in 1958, and the index of input for fertilizers and lime from 29 to 166. "Fertilizers are the largest single factor in increasing total crop production and probably accounted for almost one-half of the increase in crop yields."[5] In Japan[6] the general index of agricultural production increased from 100 in 1878-82 to 198 in 1913-17, in the same period the index of fertilizer use increased from 100 to 3,997. Taiwan like Japan, had developed a very intensive and productive agriculture by using considerable quantities of fertilizers and pesticides. The last world war completely shut off the supply of fertilizers and pesticides: as a consequence, the yields of rice dropped from 2,500 to 1,800 kg per hectare. As fertilizers became available after the war their use increased from 10 to 140 kg per hectare, and the rice yields increased to an average of 3,000 kg per hectare.[7] France increased average grain yields from the pre-war 1,490 to 2,280 kg per hectare in 1956-58 while increasing fertilizer consumption from 37 to 81 kg per hectare of arable land. In the United Kingdom, grain yields increased from 2,110 kg per hectare pre-war to 2,800 kg in 1956-58 while the use of fertilizer per hectare of arable land increased from 59 to 141.[8] Substantially increased use of fertilizer was an important factor in attaining the higher yields in these countries.

Limited Results from Organic Manures

Some increase in agricultural productivity could, of course, be obtained by greater conservation and use of cow-dung and green manures and the present plans do provide for them. But it is difficult to believe that these could provide the long term solution. Even in Japan there is evidence that in the course of agricultural development between 1878 and 1917 commercial fertilizers gradually replaced night-soil and farm yard manure to a considerable extent. There is scientific evidence from field research that the inorganic NPK treatments have given superior results compared with equivalent or

greater quantities of nutrients applied in the form of cattle manure or composts? In one of the experiments in Kanpur Agricultural College, it was found that "In spite of four times the quantity of nitrogen in the organic treatment compared with the inorganic, the yield response is almost identical."[10] In another experiment in Coimbtore, "the yields with the inorganic nutrients were better than those with organic manures."[11] On the basis of an experiment in West Bengal carried out between 1945 and 1954, Digar[12] comes to the conclusion that while yields of both grain and straw increased significantly in each year due to the effects of ammonium sulphate, there was no significant increase in grain yields attributable to farm yard manure. Maximum grain yield was, however, obtained by combination of ammonium sulphate at 30 lbs N per acre and F Y M at 100 mds per acre. This suggests that farm yard manure is best used as a complemenr to chemical fertilizers rather than a substitute of them. Then again, there is the problem of collection of cow-dung. With the introduction of compulsory primary education in rural areas, the children, who were mainly responsible for collection of the dung will no more be available for the purpose. With greater oppotunity for wage-employment women will find little time to devote to such collection, and collection of dung through paid wage-labour appears to be uneconomical. It is highly debatable whether the farmers in India are ignorant of the usefulness of the farm yard manure and therefore waste this valuable resource to a considerable extent. Even the cow-dung which is used as fuel, is subsequently utilized by them for manuring in form of the ash. This partly explains the relative adequacy of potash in Indian soils.

More Chemical Fertilisers Essential

Organic manures, including green manures, require land as a direct or indirect input. Cow-dung requires fodder and therefore some use of land. If cow-dung is to be used more intensively as manure, substitute fuel for domestic use must be provided. Provision of fire wood, would require the use of land for afforestation. "In spite of the findings of research workers all over India about the part played by green manuring in improving crop production, the practice of green manuring has not made much headway except in some of the Southern States. The chief reason for this slow progress is the non-availability of the seed in the quantities required. The severe summer and winter conditions in northern India stand in the way of production of green manure seeds. It is only during the Kharif season that the seeds can be produced but the raising of green manure crops on a field scale for producing seeds during the Kharif season cannot compensate the cultivator for the loss of other crops which he could have grown."[13] Thus the use of organic manure has both a favourable and an unfavourable effect on aggregate agricultural production. It has a favourable effect to the extent that it increases productivity per acre under the crop; but it has also an unfavourable effect to the extent that it reduces the area under crop. Furthermore, because of its biological basis and dependance on land, the production of organic manure is likely to be more subject, in practice, to diminishing returns than the production of chemical fertilizer for, as in many industrial processes, constant returns to scale are likely to prevail. Thus in the long-run greater emphasis should be placed on supplying chemical fertilizer rather than organic manures.

Major Irrigation Projects

There is also the problem of uncertainty in agriculture. Our food problem is caused partly by failure of the monsoon. Large-scale irrigation projects and chemical fertilizers can be much more effective than organic manures and minor irrigation projects in counteracting these climatic variations. Failure of the monsoon not only dries up the wells, tanks and smaller canals, it also affects the availability of cowdung (through lack of fodder) and green manures. The major irrigation projects would not only provide water all the year round but also safeguard the farmers against flood and provide cheap electricity for running the tubewells. It is also possible that in a not-too-distant future, cheap electricity would provide an alternative fuel and enable the farmer to conserve more farm yard manure for agricultural uses. Thus, while there is a case for extension of minor irrigation projects (i e, tube-wells and wells, etc) there is a stronger case for accelerating the construction of multi-purpose river projects for flood-control, irrigation and generation of electricity, which are relatively independent of monsoons. There is, of course, the need for accelerating the digging of feeder canals and field channels for fuller utilization of the major irrigation projects.

All this leads to the inevitable conclusion that for any long-term increase in agricultural productivity, we have to depend more on the major irrigation projects (with, of course, feeder canals and field channels), increasing use of fertilizers and pesticides. A considerable increase in agricultural productivity in Japan between 1878 and 1917 was achieved by increased use of these inputs even with "The traditional pattern of rural organisation ... The small family farm averaging about 1 hectare per household, the distribution between peasant proprietors and tenants, high rents in kind—all of these characteristics are maintained during the period ... there was no strong trend of land consolidation, and this preserved the scattered holdings of tiny plots of ground. Thus a fairly typical Asian type of agriculture remained in existence and was utilized to promote impressive increases in productivity ..."[14] One does not, by implication infer that institutional changes are unnecessary or undesirable; we do argue, however, that a much greater effort has to be directed towards making the necessary inputs available to the farmers.

Implications for Investment Pattern

The eventual requirement of chemical fertilizers in India needed for realising the benefits of irrigation and assured rainfall is estimated at 20 million tons of nitrogenous fertilizers, 2 million tons of phosphatic fertilizers and a million tons of potassic fertilizers.[15] The production of 20 million tons of ammonium sulphate by the semi-water gas process would require nearly 14 million tons of coal, 10 million tons of coke, 27 million tons of gypsum and 25 million tons of anhydrite. By Japanese standards of pesticide use, India, for her present gross acreage under crops, would require about 4.7 million tons of pesticides in the form of dusts and powder and 6.8 million hectoliters in the form of emulsions. Our present consumption is a mere 37 thousand metric tons.[16] Closely related to plant protection is the problem of storage, for which we require ware-houses and cold storage. The construction of fertilizer or pesticide plants, warehouses, cold-storage, dams and reservoirs requires steel, cement and other building materials. We need transport to move these materials to construction sites. After the completion of fertilizer or pesticide plants we need transport to carry the raw materials from source to these plants and finally the finished products from the factories to the farmers. Fur-

her, we need a transport network to arry the increased volume of agricul- ural products to the market. Unless his is adequately provided, the farmers nay not have the incentive to use more f these inputs.

Case for Heavy Industry

The increase in the use of these in- uts can, of course, be obtained by nports. But as Professor Mahalanobis ointed out, in the Indian context, it is heaper in the long-run to produce hem at home. "In order to feed the resh additions to the population at he rate of 5 million of persons per ear, it would be necessary to provide n additional quantity of 700,000 tons f foodgrains *every year* which would equire Rs 450 crores of foreign ex hange over a period of five years. The ost can be reduced to Rs 135 crores f foreign exchange in a 5-yea period , an additional quantity of 350,000 ons of ammonium sulphate is ordered rom abroad *every year*... the cost an be further reduced to Rs 100 crores with a foreign exchange component of only Rs 60 crores) over a five-year eriod if a new fertilizer factory of 350,000 tons capacity is started *every ear*... The apportioned cost of a eavy machine building factory which vould manufacture machinery in India o instal *every year* a new fertiliser actory of 350,000 would be however, o small as Rs 12 or 15 crores with a oreign exchange component of perhaps Rs 8 or 10 crores.[17] The above account s 'over-simplified': nevertheless, it un- derlines the need for taking a long- erm view of planning in India. Any asty decision to change the present well-thought out' strategy of planning, vill not only retard the economic de- elopment of the country, but also affect adversely the prospects of agri- ultural self-sufficiency.

We conclude that there is a strong ase for heavy industries with the object of obtaining agricultural self-suf- iciency in the long-run. This is, of course, over and above the widely argu- ed case for expanding heavy industries for other purposes. For one thing, a heavy industries complex is essential for us to obtain a balance of payments equilibrium in the long-run. The tradi- tional exports do not have a very bright future. Our salvation lies mainly in ac- celerating the export of light engineer- ing and other manufactured products; for this purpose heavy industries must be developed as quickly as possible. Similarly, rapid industrialization is necessary for introducing technological dynamism in the economy, without which continuous economic growth is unlikely.

There does remain, however, the short and medium run problem of food shortage. This has to be met by im- ports either under PL 480 or under bilateral trade agreements with Thai- land, Australia, Canada and Burma. As regard PL 480, all available evidence indicates that the U S surplus will con tinue for the next 10-15 years and it is quite probable that India can get 5- 10 million tons of food grains per an- num, for this period. In the past, these imports have been restricted partly be- cause of our assumption of *self-sufficiency in foodgrains by 1965-66*, and partly because of the presumption that the imports will have adverse effects on domestic agriculture. As we have already seen, the hope of self-suffici ency in foodgrains in the very near future is obviously a self-delusion. The PL 480 imports of nearly 4 million tons per annum have so far not depressed food prices. Import of 5—10 million tons are not likely to depress prices in future either, if the deficit in domestic supply of foodgrains is of similar magni- tude. There may, however, be some uncertainty about the magnitude of PL 480 food aid, because of its political character. To safeguard against such contingencies, it may be advisable to enter into trade agreements with other food surplus countries. In the case of Canada and Australia, attempts may be made to obtain commercial supplies on a deferred-payment basis. In the case of countries like Burma and Thailand it might be possible to enter into barter trade agreements so that they may exchange their food surplus for our industrial products. It is in our long-run interest to have these countries as customers for our industri al products (including capital goods such as textile, machinery, etc) even at subsidized rates or on a deferred pay- ment basis. Keeping in view the need for imports of foodgrains for the short and medium run, we have to extend harbour and warehousing facilities. In the location of these, attempts should be made to reconcile the short-run need for food imports and the long- term requirements of an agriculturally self-sufficient economy interested in ex- porting industrial products.

Notes

1 NCAER, "Long Term Projections of Demand for and Supply of Selected Agricultural Commodi- ties" (1962)

Two other sets of assumptions 2.0 per cent population growth and 3.5 per cent per capita income growth, and 3 per cent population growth and 1.5 per cent per capita income growth gives us approximately the same estimate. For the details of these estimates see Sinha, R P "The Prospects of Agricultural Self-sufficiency in India" to be published in *Journal of Agricultural Economics*, December 1964.

See next footnote.

NCAER demand projections are based on a population figure of 603 million in 1975-76 as against our estimate of 639 million. Our esti- mate itself may be too low be- cause the U N Population Division, when revising the population pro- jections, suggested that the popu- lation is likely to reach 650 million by 1975. We consider the NCAER supply projections as too optimistic for the following reasons:

(1) NCAER's estimate of gross ir- rigated area in 1975-76 comes to 197.3 million acres (p 115). This is much more optimistic than the Planning Commission's expectation of only 150 million acres by 1975- 76. The total gross irrigated area in India in 1955-56 was only 63.5 million acres. Under the NCAER assumptions, therefore, we have to add another 134 million acres in twenty years, i e, an addition of 6.5 million acres per annum as against the actual achievement of 1.35 million acres per year during the first eight years of planning One would accept that the rate of utilization of irrigation potential is bound to accelerate, but the rate assumed seems to be too optimis- tic.

(2) Because of this optimism with regard to irrigation, they over- estimate the area under double- cropping which they put at 155.14 million acres (p 102). This inflates the gross area under cultivation.

(3) Their concern about the area under foodgrains, oilseeds, cotton and tobacco leads them to a mis- leading conclusion regarding the area under other crops, in which they seem to include sugar cane, vegetables, fruits and fodder. Ac- cording to their estimates the area under these crops declines by 5.5 million acres (p 106) which is obviously unrealistic, because the demand for these products is like-

ly to increase at a faster rate than the demand for foodgrains owing to the higher income elasticity of the demand for better quality food.

(4) As we show later in this paper, it is doubtful whether the N C A E R's optimism about organic manure can be shared. In their opinion "green manuring appears to be the most important source of organic manure during the period" and their estimates suggest "that the supply of nitrogen from this source will be of the order of 4.0 million tons by 1975-76, as compared to 0.3 million tons in 1955-56". Further "the plant food estimated from farm yard manures in terms of nitrogen stands at ... 2.5 million tons by ... 1975-76." Thus the NCAER hopes to provide 6.5 million tons of nitrogen by green manuring and farm yard manure. As against this they provide for only 1.5 million tons of plant food from chemical fertilizers (chapters 14 and 15).

Parker, J W, "Fertiliser and Economic Development" (mimeographed) p 8.

[6] Ohkawa, K, and Rosovsky, H. "The Role of Agriculture in Modern Japanese Economic Development" *Economic Development and Cultural Change*, vol IX, No 1 part II, Oct 1960.

Parker, J W, *op cit*

Parker, *op cit*

[9] Holiday, R, "Some Problems of Indian Agriculture" *Agricultural Progress*, Vol XXXVII, 1962.

[10] *ibid.*

[11] *ibid.*

Digar, S. "Effect of Ammonium Sulphate and Farm Yard Manure on the Yield of Paddy", *Journal Agricultural Science*, vol 50, No 2.

"Report of the Team for the Study of Community Projects and National Extension Service" Committee on Plan Projects, New Delhi, Nov 1957, pp 118-19.

Ohkawa, K and Rosovsky, H., op. cit.

Third Five Year Plan, p. 23.

[16] Sinha, R P, op cit.

Mahalanobis, P C, "Talks on Planning" (1961), p 72.

On towards progress ...

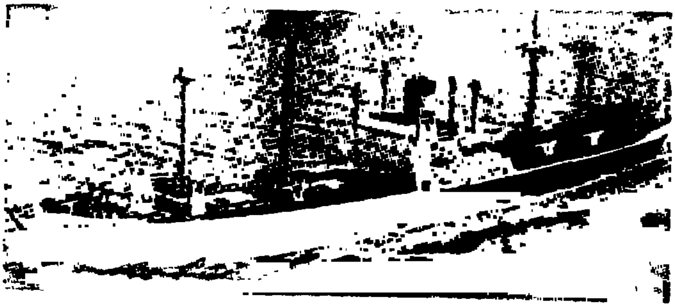
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Response of Acreage to Changes in Price

A Study in Madras State

P Kamala Devi

An attempt is made here to study the impact of changes in prices on acreage.

Two five year periods are studied: 1937-41 and 1959-63. The commodities considered are rice, cholam, ragi, groundnut and cotton which among them account for more than 66 per cent of the total cropped area in Madras State.

THE object of this study is to examine the changes in price structure and acreage response in Madras tate between two periods separated by :arly two decades. The first period is ıe quinquennium 1937 41 and the :cond the quinquennium ending with 963. Though the second world war ommenced in 1939, agricultural prices d not show a rise until 1941. The :riod 1937-41 may be said to be one uring which there had been stability prices, in the sense that there was a ·covery from the depression of thires, and the country had not yet faced ıe inflationary situation of the suc:eding years. Hence this period is ell suited for purpose of comparison.

Five Commodities

Five commodities, namely, rice, ıolam, ragi, groundnut and cotton, hich cover more than 66 per cent of ıe cropped area of Madras State are ıosen for this study. Since farm har:st prices for the earlier period are ıt available, wholesale prices are ·ken up for study. Quotations of holesale prices for various market :ntres month-wise for the first period ·e available in the "Quinquennial :atistical Abstract for the Madras Pronce" compiled by the Madras Governent.[1] For the later period similar deils are available in the *Bulletin of gricultural Prices* for selected market ·ntres.[2] Monthly prices are averaged ıd the Quinquennial annual averages e presented in Table 1. Groundnut ·cords the highest rates of rise and ıtton the lowest. Among foodgrains, ce records the maximum rate of rise.

To study the changing price structure, the quinquennial average of each ımmodity, is related to the geometric ean of the quinquennial averages of e other four commodities. The rates the average price of the commodity the geometric mean of the prices of e other commodities is then derived r the two periods. With the 1937-41 tes as the base an index is worked r the 1959-63 period. The results are own in the last column of Table 2. the other columns the changes in relative price of each commodity in relation to the other are presented. The figures are derived by relating the quinquennial average of the relative price of each commodity in the second period to the corresponding average of the base period.

From the last column the following may be inferred. The relative prices of rice and cholam have registered slight increases over 1937-41. The relative price of ragi has recorded a fall. The most significant increase in terms of relative price is that of groundnut and the most significant fall is that of cotton.

Relating each commodity with each of the other commodities the results are as follows. Groundnut cultivator gained an advantage over all others

Table 1: Wholesale Prices of Agricultural Commodities (1937-41 and 1959-63)

Commodity	Unit	1937-41 Rs	1959-63 Rs	Ratio of 4 to 3
(1)	(2)	(3)	(4)	(5)
Rice	Maund	3.52	20.86	5.93
Cholam	"	2.66	15.57	5.85
Ragi	"	2.64	14.55	5.51
Groundnut (Kernel)	"	4.57	33.31	7.29
Cotton (Combodia)	"	10.09	47.42	4.70

Notes: Rice prices relate to Kumbakonam market centre, ragi prices to Salem market, groundnut prices to Cuddalore market, cotton prices and cholam prices to Coimbatore market for both the periods. Groundnut prices for both the periods are from the statistical supplements of the Fort St George Gazette.

Table 2: Changing Price Structure

(Base=1937-41)

Related Commodity / Commodity Studied	Rice	Cholam	Ragi	Groundnut	Cotton	Price of One Commodity Related to the Price of all Other Four Commodities.
Rice	—	101.50	107.46	78.48	125.71	102.41
Cholam	97.40	—	106.93	79.66	122.22	101.71
Ragi	92.11	95.88	—	74.58	119.23	93.10
Groundnut	120.30	125.73	132.18	—	154.35	133.04
Cotton	79.44	80.31	85.90	63.56	—	77.02

Table 3: Acreage

(Quinquennial average in thousands of acres)

Period	Rice	Cholam	Ragi	Groundnut	Cotton
(1) 1936-37 to 1940-41	4,527	1,700	928	1,545	1,201
(2) 1957-58 to 1961-62	5,764	1,771	871	1,957	1,051
Ratio of (2) to (1)	1.27	1.04	0.94	1,27	0.88

and cotton cultivator lost. Rice cultivator lost only in relation to groundnut cultivator. Cholam cultivator lost in relation to rice and groundnut cultivator and gained in relation to ragi and cotton cultivator. Ragi cultivator suffered losses in relation to all except cotton cultivator.

Changes in prices may now be related to changes in acreage. The average acreage for the districts of present Madras State is shown in Table 3 for the two periods.

(a) Since acreage figures for some commodities for the year 1962-63 are not yet published the quinquennium ending 1961-62 is taken. The maximum rates of rise are seen in the case of groundnut and paddy and the lowest rates of rise in the case of ragi and cotton. The order of rise in prices may be compared with the order of rise in acreage :

Commodity	Rank of Rise in Prices	Rank of Rise in Acreage
Rice	2	1
Cholam	3	2
Ragi	4	3
Groundnut	1	1
Cotton	5	4

There is a surprising correspondence between the ranks in both the columns suggesting the influence of change in relative prices on change in relative acreage.

A better understanding of the response of acreage to changes in relative prices may be got by relating such changes to changes in relative acreages. In respect of each crop the ratio of acreage to the total acreage of other crops is derived for the base period. Similar rates are derived for the second period. The second ratio is related to the base year ratio. The results in respect of acreage are as follows :

Rice	117
Cholam	83
Ragi	81
Groundnut	123
Cotton	77

The changes in relative acreage may now be studied in relation to changes in relative prices shown in the last column of Table 2. The correspondence between changes in relative prices and changes in relative acreage as seen from Table 4, is quite revealing, indicating the influence of prices on acreage. The data, however, suggest some significant differences in the degrees of response. The response of rice acreage is much more than that of others. Not all of it could, of course, be attributed to prices. The remarkable improvement in irrigation facilities must have contributed much to this extension. Cholam acreage showed little response to price rise. Even though the relative prices of cholam had risen more or less as much as those of rice, relative acreage has shown a fall. The correspondence between the fall in relative prices and the fall in realtive acreage is much closer in the case of cotton.

Table 4: Ranks of Changes in Relative Acrage and Relative Prices

Commodity	Ranks of Changes in Relative Acreage	Ranks of Changes in Relative Prices
Rice	2	2
Cholam	3	3
Ragi	4	4
Groundnut	1	1
Cotton	5	5

The study has revealed the influence of relative prices on relative acreage. The decline in cotton acreage compared to the earlier period both in absolute and relative terms is the result of fall in relative prices. This suggests a case for revising the ceiling prices, if a stimulus is to be given to cotton acreage. The study also reveals that cholam acreage responds little to prices and measures other than price policy are necessary if an increase in cholam acreage is desired.

Notes

1 "Quinquennial Statistical Abstract for the Madras Province" 1934-35 to 1938-39 and 1939-40 to 1943-44, Published by the order of the Madras Government.

2 *Weekly Bulletin of Agricultural Prices*, published by the Directorate of Economics and Statistics, Ministry of Food and Agriculture.

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Link Arrangements and Import Prices

K R Gupta

Link arrangements have become a prominent instrument of export promotion. Such agreements have been concluded particularly with countries with whom India has an unfavourable balance of payments.

One of the criticisms levelled against link arrangements is that imports made under them are priced too high. Is this in fact so?

THE State Trading Corporation of India has so far concluded 20 link deals for an aggregate value of Rs 27.66 crores with seven different parties covering 10 West European countries. The rest having expired, at the moment, eight deals are in operation. The object of such deals is to make use of the services and experience of international firms in those countries. Through these arrangements some of the imports of essential items from a country upto a determined value and within a fixed period are linked up with exports of non-traditional items and additional traditional items of equivalent value. During the year 1962-63, the total business concluded under link deals was of the order of Rs 15 crores, of which exports accounted for Rs 10.5 crores.

The rupee payment agreements entered into by India with the East European countries have enabled us to substantially expand our trade with these countries and to overcome the problem of a disequilibrium in the balance of payments. Such agreements, covering the entire trade between the contracting parties, are not practical in the case of the non-socialist countries. In view of this, after considerable thought and consideration, is was decided to experiment with agreements of a limited nature, linking certain exports with certain imports.

Why Link Arrangements?

A number of considerations have led the Government to adopt link arrangements. For attaining our plan targets, it is very essential to expand exports of traditional as well as non-traditional goods and to find new markets. We have been finding it difficult to maintain the existing level of some of our traditional exports because of certain developments, e g, disparities between domestic and international prices, invention of substitutes, emergence of new sources of supply, etc. Efforts, therefore, have to be made as much to expand the exports of such commodities as to maintain the existing levels. Because of the availability of attractive markets at home, the manufacturers have no incentive to find foreign markets which have recently become highly competitive. They also hesitate to incur expenditure on promotional activities abroad which may or may not yield results. Because of the foreign exchange difficulties very few offices have been set up abroad for undertaking export promotion work.

In view of the above considerations, it was felt that for an effective promotion of exports, it would be necessary to establish agencies abroad who would undertake promotion of our exports. This could be done in three ways:

(1) the State Trading Corporation could undertake this responsibility; this would mean its opening a large number of offices abroad, the creation of an organisation which would undertake the sending of samples, the establishment of warehousing facilities both in India and abroad etc;

(2) private Indian organisations could set up offices abroad on these very lines; and,

(3) foreign agents or agencies could be appointed.

The second method would be uneconomical because no Indian business organisation would be capable of such an exhaustive promotional effort. To be effective a large number of organisations would have to be permitted to establish offices abroad. Under the prevailing circumstances, the third method was considered to be the most feasible one. Instead of the State Trading Corporation opening offices abroad, it was felt that it would be better to avail of the services of established organisations abroad who had wide contacts and long experience in the field of export promotion.

Paying the Foreign Collaborator

In adopting this course, it was recognised that our foreign partners would have to incur expenditure not only on administration but also on promotional activities like advertising, procurement of samples, travelling, etc., and at times on subsidizing our exports in cases where they felt that our prices were incompetitive or as a method of giving an incentive to the foreign importer to buy from India instead of other countries and that our foreign partner will have to be compensated for this expenditure. The compensation can be given in two ways, viz, (1) a commission in foreign exchange for promotional work in respect of commodities of which our prices and quality are competitive and a fair compensation if our goods need subsidization, and (2) payment by a general method, taking an overall view of export obligations to our foreign partner without having to go into details of the total expenditure he would incur and remuneration he would expect.

The first alternative can work satisfactorily if most of the items are competitive in respect of price and quality and need only promotional efforts. Actually, however, most of the goods need subsidisation. It would be difficult to precisely assess the quantum of required subsidy and if our foreign partner considers the determined subsidy inadequate, he will not make serious efforts to promote the exports of such items and concentrate on commodities which move easily. If first alternative is adopted, therefore, it will not be possible to ake full advantage of the services which the foreign partner is capable of rendering.

In view of the above consideration, it was decided to adopt the second alternative. The foreign partner is compensated for his efforts and expenses by our agreeing to import normal essential requirements through him.

Traditional Exports Also

Under link arrangements, the exports are limited only to such items as have so far not been exported to the country concerned or exported only in negligible quantities. Sometimes, however, in order to make the export packet more palatable, a certain percentage of the total exports has been deliberately permitted to consist of traditional items or of items which already have a market in West Europe. With a view to ensure that goods are not re-exported to third countries, a stipulation is incorporated in the agreement that landing custom certificates, invoices, bills of lading are to be furnished by our link partners. Once the goods have been landed in a particular country and

customs duty paid, it becomes uneconomical in practically all cases for the importers to re-export the commodity to another country. The exports normally precede our imports.

Imports, under link arrangements, are restricted to essential raw materials and machinery and equipment, which would in any case be imported whether or not the link arrangements exist. By and large, the items imported have been fertilisers, art silk yarn, fokker aircraft, steel, dye intermediates, pharmaceuticals, chemicals and machine tools. Link arrangements, thus, enable us to obtain essential imports against additional exports without involving any foreign exchange expenditure.

One of the criticisms against link arrangements has been that import prices are invariably loaded because our link partner has to get his commission. In fact, there is not much truth in this criticism. Even when an import licence is granted and foreign exchange released, purchases are normally made through middle men and the import price includes their commission. The commission of our link partner, therefore, normally does not lead to loading of import prices.

Another criticism against the link arrangements is that the imports under these arrangements are obtained at higher prices. There is not much truth in this criticism because every possible effort is made to ensure that the imports are at internationally prevailing prices. In view of the fact that the goods which are imported under link arrangements have been imported in the past and even now free foreign exchange is being released to actual users for the import of these goods, we have sufficient information regarding internationally prevailing prices to check that excessive prices are not paid. In case of a number of products, such as iron and steel and textile machinery, benefit is taken of the expert advice of the Iron and Steel Controller and the Textile Commissioner. For other products, the services of the Director General of Technical Development are availed of. In addition to the above methods of verification, checking is also made with actual users to whom the imports are allocated to find out as to whether or not the prices quoted are in conformity with the prices paid by them against free foreign exchange. Whenever felt necessary, the advice of our missions abroad is obtained and other suppliers are asked to submit quotations. A further safeguard is the provision in our link agreements to the effect that the prices quoted can be rejected if these are not found competitive.

There might have been a few cases in which some loading has taken place, but these are exceptions rather than the rule. Even if there have been some such cases, these indicate the need for more care and vigilance rather than the weakness of the arrangements. The risk of loading can be further decreased by

(1) having competition among different link partners by having some common items under different link deals; and,

(2) giving, in the case of import of machinery and equipment, preference to items for which catalogue prices or world prices are available.

Business Notes

India Steamship

INDIA Steamship has emerged out of its difficulties and entered into an era of profit-earning, state the Directors. Profit for the year ended March 31, 1964, including miscellaneous incomes, after setting aside Rs 128.64 lakhs (Rs 120.96 lakhs) for depreciation, amounted to Rs 9.57 lakhs compared with a loss of Rs 30.02 lakhs in 1962-63. This profit has, however, been insufficient to pay a reasonable dividend on equity shares.

Freight earned during the year showed a rise of Rs 28 lakhs to Rs 8.28 crores; this is, however, below that of 1961-62. Despite increased cost of operations, reflected mostly in port charges and stevedoring rates, the policy of rationalisation and control over expenditure led to favourable results. The Directors state that expenses for Special Survey and Drydocking of ships have gone up and affected seriously the profits. The Company is compelled to carry out the works in Indian ports and particularly in Calcutta where due to inadequate facilities it takes a longer time than in the U K or in Continental ports.

The benefits of the freight increase by about 10 per cent in the west-bound cargo, which came into force from October 24, 1963, were only partially reflected in the accounts. Out of the profits, the Directors propose to meet the Preference dividend requiring Rs 1.14 lakhs and to transfer the balance of Rs 7.95 lakhs to General Reserve. The Managing Agents have foregone their remuneration for the second year in succession.

The hardships facing the shipping industry are still to be mitigated. The delay in major ports for loading and unloading which is often enhanced by bad weather conditions is an invariable source of loss to steamship companies in general. It is stated that the ships of the Company spent in ports nearly 60 per cent of their days in the liner trade and 77 per cent in the coastal trade. Labour strikes and go-slow tactics also affected earnings. The anxiety of Government to step up exports has led to a clamour in many cases for a reduction in freight rates. These handicaps apart, facilities for dry-docking and repairs are not adequate in Indian ports. Sir A Ramaswami Mudaliar, Chairman of the Company, while drawing attention to the above adverse features in the shipping industry, particularly affecting the Company, suggests that either the freight rates should be increased or the amenities and conveniences at Indian ports should be radically improved. He further suggests that the Committee in charge of national harbours be reconstituted with defined aims and objectives consistent with the needs of the times and that its recommendations be promptly considered and implemented. While Sir Ramaswami appreciates the need for expansion of Indian shipping, particularly in the context of earning additional foreign exchange, he emphasizes that the new entrepreneurs and established companies should concentrate more on tramp shipping, tankers and bulk carriers which would help the country while being profitable to themselves rather than enter the liner trade and compete with the existing Companies on routes in which they have established themselves after great difficulty and considerable initial loss. This will be to the detriment of both. In this context, the guidance of the Ministry of Transport in regard to expansion of Indian shipping tonnage and its proper utilization will, therefore, be of immense value, states Sir Ramaswami.

Surat Electricity

SURAT Electricity reported satisfactory progress during the year March 31, 1964. Sale of energy in-eased by about 14 per cent from 61.1 illion kilowatt hours to 69.7 million lowatt hours. The rate of growth is ated to be well above the annual te of growth recorded during the last years, and has been achieved in spite restrictions on supply and use of ectricity imposed by the Gujarat State overnment. The unprecedented spurt the installation of power looms in e city of Surat, estimated at over 300 units in addition to 16,000 units ready operating on April 1, 1963, and e revival of jari industry to meet a zable export demand have accounted r the large expansion in the electricity consumption. The establishment of w industrial estates in the Company's ea of supply, the construction of new ousing colonies and extension of distribution to adjoining villages indicate e prospects of a large increase in the emand for power in the coming years. he Company proposes to meet the sing demand by making suitable additions to plant capacity, by raising the nance necessary from bank borrowgs. The Company hopes to receive ilk supplies from the Dhuvaran Pow- Station when it comes into full commercial operation.

Gross earnings from sale of energy ss discounts amounted during the ear to Rs 126.50 lakhs compared with s 112.57 lakhs. Pre-tax profits rose om Rs 16.85 lakhs to Rs 18.34 lakhs. sum of Rs 7.21 lakhs has been provided for taxation as against Rs 7.82 khs in the previous year. Equity dividend declared at 9 per cent (8.5 per ent) for the whole year together with ie preference dividend at 8.45 per ent will absorb Rs 6.72 lakhs (Rs 6.37 ikhs).

Imperial Tobacco

DESPITE higher sales fetching Rs 55.43 crores as against Rs 50.03 rores in the previous year, Imperial 'obacco's net profit for the year ending March 31, 1964 stands considerably reduced. While raw materials and ianufactured goods cost the Company s 2.44 crores more, customs and ex se duties rose by Rs 4.60 crores. hough other expenses aggregated to a wer figure the pre-tax profits declined Rs 289 lakhs from Rs 446 lakhs in 962-63. Provision for tax absorbed less t Rs 190 lakhs compared with Rs 266 ikhs in the previous year. In the event the balance of profit was only Rs 99 lakhs compared with Rs 180 lakhs previously. The fall in profits is attributed by the Directors to the adverse effect of increases in direct and indirect taxations. The Directors have drawn Rs 2.5 lakhs from General Reserve and declared a final dividend of 2.5 per cent, making a total of 6.5 per cent for the year as against 8 per cent in the previous year.

Indian Cable

THE profit of Indian Cable for the year ending March 31, 1964 has risen from Rs 156.85 lakhs to Rs 189.87 lakhs. This has followed an expansion of 14 per cent in the sales from Rs 10 48 crores to Rs 11.98 crores. The order book is stated to be fairly full for most items manufactured by the Company. Although provision for tax is made at a higher figure of Rs 103.40 lakhs compared with Rs 93 lakhs in the previous year, the tax incidence is relatively lighter than last year owing to relief given to the cable industry along with some selected key industries. The effect of sur-tax is also lower than that of the former super-profits tax. The increased profits have enabled the Directors to recommend the payment of a higher dividend of 25 per cent as against 22.5 per cent last year.

Expenditure on fixed assets capitalised during the year amounted to Rs 55.57 lakhs. This is chiefly in respect of new factory buildings and plant machinery installed for the manufacture of thermoplastic cables. Capital work-in-progress as at March 31, 1964, amounted to Rs 83.43 lakhs and represented principally expenditure incurred on extensions to factory buildings, machinery, etc, for providing additional capacity for power cables. The additional capacity is expected to go into production during the current year. The Chairman states that the progress of the development and expansion schemes has not, however, been as speedy as anticipated because of delayed deliveries of structurals and equipments, the priorities going to defence requirements.

Dhrangadhra Chemical Works

DHRANGADHRA Chemical Works reports an increase in the production of soda ash by 27 per cent during the year ended March 31, 1964. The increase would have been more but for some breakdowns and trippings and power restrictions and shut-offs imposed by the Madras State Electricity Board. Operation of the Company's salt works was also on a better footing, production rising from 10,500 tonnes to 26,000 tonnes.

Profit for the year amounted to Rs 131.84 lakhs showing a rise of Rs 41.54 lakhs. Net profit also, after providing for expenses and depreciation was higher by Rs 21.92 lakhs at Rs 77.41 lakhs. Among appropriations, development rebate reserve absorbed Rs 40 lakhs (Rs 1.06 lakhs) and General Reserve got Rs 23 lakhs (Rs 46 lakhs). Dividend declared at 7.8 per cent on preference shares and 10 per cent on ordinary shares has announced to Rs 15.43 lakhs (Rs 13.82 lakhs).

The Directors are hopeful about the future outlook of the Company in view of the growing demand for the Company's products and regulated imports from abroad.

Chemicoats

THE third Annual Report of Chemicoats records a loss of Rs 6.64 lakhs for the year ended March 31, 1964. The Company was unable to achieve production targets because of difficulties in the continuous operation of the plant. With the addition of a de-humidification plant, the Company hopes to have a sizable volume of production of metallised paper.

Midland Rubber

GROSS profit of Midland Rubber and Produce Co, Alleppey, has risen from Rs 6.81 lakhs to Rs 14.72 lakhs during the year ended March 31, 1964 and so also the net profits from Rs 2.98 lakhs to Rs 9.95 lakhs. A sum of Rs 4.50 lakhs (Rs 90,000) has been earmarked for taxation. Out of the balance, the Directors have declared a preference dividend at 6.4 per cent gross and an equity dividend at 10 per cent which in all will absorb Rs 5.15 lakhs. The dividends are the same as in last year, but then last year the Directors had to draw Rs 3.05 lakhs from the Dividend Equalisation Reserve.

The main features of the working of the Estates during the year were: Production of tea came up to expectations. Cost of production came down. Average price realised was slightly higher. Production of rubber was satisfactory. While cost of production was lower, the average sale price was also slightly lower.

Around Bombay Markets

Reactionary Trend Persists

Thursday, Morning

YET another week has gone by and Dalal Street is still trying to consolidate its position. In the process of technical adjustment, which has been under way for some weeks, it is not merely the weak elements that have been weeded out but certain prominent bulls are also reported to have got rid of their holdings. While equity prices continued to display an irregularly lower tendency, net losses over the week were generally small, quite negligible in many cases. It is indeed remarkable that heavy selling over the past week or so should have been absorbed without causing any serious break in prices.

The reactionary phase being still in progress, market operators have been talking quite a great deal recently about the distressing food situation, unhappy political developments in certain States, the debate on no confidence in the Government and the raids in search of unaccounted money. The market has been thick with all sorts of rumours and many big names are said to be involved in the recent raids. This has had a considerable effect on the market sentiment. Yet another factor which has affected market psychology is the Reserve Bank's renewed emphasis on the role of interest rates in mobilising deposits which has led to talks of an early increase in the Bank Rate.

Whether or not, the Bank Rate should be raised is a moot point. But if it is raised by a substantial margin (without which it is unlikely to prove effective), it will have a serious impact on the climate in the investment market which is already far from being very favourable. At a time when the Government is anxious to tone up the capital market, the question of stepping up the Bank Rate will need to be given very serious consideration. Informed sources believe that the Finance Minister might not hesitate to make certain modifications in taxes in order to revive the capital market. Quite possible. The success of the Unit Trust will depend mainly on health of the stock market. No matter how ably the Unit Trust manages its investment portfolio, it cannot hope to do well if equity prices do not develop an upward trend.

Oilseeds

How High Groundnut Oil?

NEVER in living memory has groundnut oil been quoted at Rs 3,300 (per tonne); that is the price it fetched in Bombay last week (September 15) and it showed a rise of Rs 350 per tonne over the week. Groundnut Bold (spot) was bid up to Rs 385 (per 250 kilograms). No one who has the slightest sympathy for the average consumer can view such high prices with equanimity, no matter how well he might wish of the farmer. Near-famine conditions that these prices reflect are the result mainly of restrictions on the movement of groundnut and groundnut oil outside Gujarat and Uttar Pradesh. With fresh arrivals extremely limited, stocks in Bombay have been reduced to a precariously low level. Reports from Gujarat, which is known to be a surplus State and which had banned the export of groundnut and groundnut oil from the State some eight weeks ago, are also far from encouraging. The retail price of groundnut oil there, has been fixed at Rs 19.95 (per 10 kgs) - Rs 1800 a tonne on wholesale basis. But stocks are no more to be seen anywhere in the market. The Government has been obliged to freeze the entire stocks of groundnut oil all over the State (but what is there to freeze when stocks go underground and/or are held by farmers whom the Government is unwilling to displease) and the supply of oil is being rationed to consumers in the six main cities. It is not unlikely that groundnut oil has been smuggled out of Gujarat State because it is virtually impossible to have strict vigilance all along the borders; prices outside the State have been very attractive.

The oil famine should end once the new groundnut crop begins to move into the market and that is not a long way off. The market cannot escape the impact of new crop arrivals after about the middle of October and the impact could be more deeply felt if the Government were to continue the present ban on the export of groundnut oil and/or the export incentive scheme were to be drastically modified. The Government cannot boost the export of oil through liberal incentives and at the same time expect internal prices to fall to reasonable levels. How to strike a happy compromise between exports and internal prices is a matter which calls for very careful consideration not only of the demand and supply position at home but also of international demand and price trends abroad. This question has not been receiving the attention that it deserves.

Ban on Futures Goes

New Delhi's decision to remove the ban on hedge trading in groundnut and groundnut oil clears the way for early resumption of forward trading in these commodities. The decision is welcome in that there is no sense in not allowing hedge trading in groundnut and groundnut oil when there exist such facilities in respect of other, and less important, oilseeds. But the plea that the facility of forward trading will enable farmers to realise a good price for their produce cannot convince. The main problem is not how to enable farmers to secure a good price but how to help the consumer get the oil at reasonable prices. Fortunately, the prospects for the new crop are very encouraging and if the weather does not turn unkind all of a sudden, the 1964-65 groundnut crop is likely to set a new record. This will impart an easier tendency to the market. The seasonal influences favour a decline in prices.

Groundnut and groundnut oil prices have suffered a moderate setback on prospects of early resumption of forward trading. The quotation for groundnut oil ready has eased from Rs 33 to Rs 31.50 (per 10 kgs) and groundnut ready has come down from Rs 385 to Rs 375 (per 250 kgs). Distant positions have been marked lower. Groundnut oil November delivery which had recently been marked up from Rs 18 to Rs 20.25 has eased to Rs 19.90 and December position which had moved up from Rs 17.25 to Rs 19.50 is quoted around Rs 19. Since there is already a huge discount on distant deliveries and there exist near-famine conditions at the fag-end of the season, prospects of serious break in groundnut oil prices (distant positions) are generally discounted.

Cotton

Dull and Subdued

TRADING in cotton has become an extremely dull affair. And with reports about the progress of the new crop continuing to be encouraging, the general tone of the market remains subdued. The stockists are eager to part with their goods but mills are in no mood to enter into fresh commitments unless good quality cotton is offered at attractive prices. Mills' attitude is understandable. Most of the mills are having ample stocks with them; the carryover from the last season is sufficient to meet the industry's needs for over five months while new crop movement will be in swing after about the middle of November. And what is more, weather has continued to be obliging up to now and if conditions do not turn unfavourable in coming weeks, there is every likelihood that the 1964-65 will set a new record. Only the bull speculators will dread the prospect of a bumper crop. It is quite interesting to hear market men say that some of the prominent bull operators are gambling on the view that three successively good harvests are a rare phenomenon and therefore the new crop is unlikely to be as big as is generally anticipated. Certainly, one would not like to wish that way, though one can never be sure of the weather. The cotton crop has still some crucial weeks to pass through. It will not be until about the middle of October that one can form a reasonably good idea of the crop position.

Money Market

Thursday morning :

THE inter-bank call money rate staged a retreat from the middle of last week coming down from 4 per cent to 1.5 per cent at the end of the week. The easier trend was inevitable in the off-season after the temporary but acute demand for funds which set in a fortnight ago subsided. As the week progressed, demand tended to wane and with supplies simultaneously increasing, normal conditions returned. In Calcutta also easier conditions prevailed the call rate dropping to 2 per cent by Saturday last from 5 per cent a week ago.

However, during the current week the short-term money market is tending to firm up, the inter-bank call money rate creeping up steadily from 2 per cent on Monday to 3 per cent on Wednesday. Demand was said to be a little keener than usual in this off-season, but in any case business was by no means eventful.

Demand for funds may have stemmed from the need to strengthen the liquid resources of banks to comply with certain statutory requirements effective from September 16. This, however, does not seem to be the main cause of stringency as the scheduled banks taken as a whole have already built up or are keeping for long a proportion of liquid assets above the new requirements. The overall liquidity ratio of all scheduled banks stood on September 4 at about 38 per cent, 6 per cent in cash and 32 per cent in Government securities. If the State Bank were excluded, the other scheduled banks kept about 7 per cent in cash and 27 per cent in government securities making a total of 34 per cent in terms of their deposits. It is therefore difficult to maintain that the scarcity of offerings or keener demand for funds has emanated from a need to build up cash and investment resources, although in a few marginal cases this possibility cannot be altogether ruled out. In any case, it appears reasonable to assume that scheduled banks will not have been hard put to it to show adequate statutory reserves in the midst of the slack season. Further the two years' time which was at their disposal must have been long enough for the banks to re-adjust their business and working policies to comply with their new obligations. After all, even otherwise the scheduled banks appear to have been keeping a higher cash and investment ratio for the last two years, at least during this part of the years, as would be borne out by the table below.

In the circumstances, the rise in money rates cannot be fully attributed to this obligation applicable from September 16, but is ascribable to some disequilibrium between supply and demand or to a reluctance on the part of usual lenders to spare funds or to a deliberate withholding of funds by some lenders. As things appear, temporary spurts in demand arising out of local factors may sustain the call money rate around current levels although there is nothing to warrant a change to tighter conditions as the busy season is still far off.

The last scheduled banks' statement, as on September 4, in a way reflects the tighter conditions that prevailed during the period that preceded and that followed. As against a spurt of Rs 13.50 crores in bank credit and a fall of Rs 14.21 crores in aggregate deposits, there were a decline in investments by Rs 12.51 crores, a depletion of cash and balances with Reserve Bank by Rs 3.88 crores and a rise in borrowing from the Reserve Bank by Rs 2.92 crores.

The Reserve Bank's statement, as on September 11, marks a continuation of the rise in active notes by Rs 13.68 crores, but the rise is relatively less than the previous week's figure of Rs 17.37 crores. The note issue has gone up by Rs 24.58 crores but of this, Rs 10.90 crores worth of notes have remained with the Banking Department. Since rupee coins of the value of Rs 42 lakhs have also been taken out of the Issue Department, the rupee securities in that department have been inflated by Rs 25 crores to cover the total outflow of notes and coins.

As against a rise of Rs 65.85 crores during the preceding three weeks, Central government's deposits have sharply fallen by Rs 47.33 crores while State Government's deposits have risen by Rs 11.26 crores. The funds deflected from the Central Government's balance, if they have gone to the private sector, may be reflected in increased deposits of scheduled banks in the coming weeks.

Scheduled banks' deposits have risen by Rs 3.74 crores during the week and their borrowings also have gone down by Rs 2.04 crores. This explains that their needs did not increase particularly during the week ended September 11, and certainly not enough to warrant a spurt in their demand for funds leading to higher short-term money rates.

Foreign assets of the Reserve Bank have declined by Rs 1.28 crores to Rs 96.52 crores, due to a fall in balances held abroad by a like amount. While investments of the Bank have fallen by Rs 53.68 crores, Treasury bills purchased show a rise of Rs 11.52 crores. The fall in investments may be a sequel to the outflow of Central Government deposits.

Bank's Liquidity Ratio

Scheduled Banks'	Sep 7, 1962	Sep 6, 1963	Sep 4, 1964
			(Rs crores)
(1) Aggregate deposits	2024	2183	2474
(2)Cash + Bal with RBI	138.23	140.58	154.16
(3) (2) as p c of (1)	6.8	6.4	6.2
(4) Investment in govt securities	682	739	791
(5) (4) as p c of (1)	33.7	33.8	32

CURRENT STATISTICS

External Assistance

AUTHORISED AND UTILISED

(Rs million)

Source of Assistance	Authorisation upto end of 2nd Plan	Utilisation upto end of 2nd Plan	Balance available for utilisation in 3rd Plan	Authorisation from 1-4-61 to 31-3-63	Utilisation from 1-4-61 to 31-3-63	Balance available as on 1-4-63	Authorisation from 1-4-63 to 31-12-63	Total authorisation from inception to 31-12-63
	1	2	3	4	5	6	7	8
I Austria	—	—	—	23.8	—	23.8	18.3	42.1
II Belgium	—	—	—	47.6	—	47.6	47.6	95.2
III Britain								
(a) Durgapur Project	353.3	353.3	—	293.3	—	293.3	—	646.6
(b) Naharkatiya Oil pipeline	40.0	31.9	8.1	—	7.8	0.3	—	40.0
(c) Import of capital goods	833.3	833.3	—	973.3	519.6	453.7	233.3	2039.9
Total	1426.6	1218.5	8.1	1266.6	527.4	747.3	233.3	2726.5
IV Canada	157.1	157.1	—	110.1	—	110.1	55.0	322.2
V Czechoslovakia	231.0	—	231.0	—	—	231.0	—	231.0
VI Denmark	—	—	—	—	—	—	10.3	10.3
VII Federal Republic of Germany								
(a) Rourkela Steel Plant	777.9	635.9	142.0	—	115.3	26.7	476.2	1254.1
(b) Import of capital goods	497.8	497.8	—	559.5	119.0	440.5	400.6	1457.9
(c) Refinancing loans	117.1	117.1	—	375.0	375.0	—	73.1	565.2
(d) Balance of payment Assistance	—	—	—	321.4	321.4	—	—	321.4
Total	1392.8	1250.8	142.0	1255.9	930.7	467.2	949.9	3598.6
VIII France								
(a) Credits for capital goods	—	—	—	238.1	—	238.1	95.2	333.3
(b) Credits for IFC	—	—	—	47.6	—	47.6	—	47.6
Total	—	—	—	285.7	—	285.7	95.2	380.9
IX Italy	—	—	—	256.1	1.8	254.3	214.3	470.4
X Japan								
(a) Yen credit 18 Billion	230.0	160.1	69.9	—	67.6	2.3	—	230.0
(b) Yen Credit 28.8 Billion	—	—	—	381.0	63.1	317.9	71.4	452.4
(c) Yen Credit 23.4 Billion	—	—	—	—	—	—	309.5	309.5
(d) Credits for Orissa Iron Ore project	38.1	—	38.1	—	18.4	19.7	—	38.1
(e) Ad hoc credits	—	—	—	47.6	—	47.6	—	47.6
Total	268.1	160.1	108.0	428.6	149.1	387.5	380.9	1077.6
XI Netherlands	—	—	—	—	—	—	131.5	131.5
XII Poland	143.0	—	143.0	155.0	6.0	292.0	—	298.0
XIII Switzerland	66.0	—	66.0	53.8	2.3	117.5	32.7	152.5
XIV USSR								
(a) Bhilai Steel Plant	647.4	645.4	2.0	—	2.0	—	—	647.4
(b) Industrial projects	595.3	80.8	514.5	—	231.9	282.6	—	595.3
(c) Drugs projects	95.2	—	95.2	—	11.5	83.7	—	95.2
(d) Barauni Oil refinery	119.1	4.3	114.8	—	8.1	34.7	—	119.1
(e) Credits for Third Plan	2381.1	18.0	2363.1	—	244.5	2118.6	—	2381.1
Total	3838.5	748.5	3089.6	—	570.0	2519.6	—	3838.1
XV USA								
A Wheat Loan	903.1	903.1	—	—	—	—	—	903.1
B (i) TCA programme other than PL 665 & PL 480	422.1	422.2	—	—	—	—	—	422.2
(ii) Orissa Iron Ore Project	87.5	0.2	87.3	—	58.0	29.3	—	87.5
C Development Loan Fund & AID loans								
(1) Power projects	381.9	47.6	334.3	1002.8	302.6	1034.5	497.1	1881.8
(2) Railway development	547.6	292.6	255.0	204.8	223.3	236.5	75.5	827.9
(3) Procurement of steel	401.9	222.9	179.0	—	142.1	36.9	—	401.9

(4) Manufacture of road transport vehicles	186.0	123.0	63.0	189.0	72.6	179.4	—	375.0
(5) Development of industries in Private sector	233.2	82.7	150.5	2190.5	817.3	1523.7	—	2423.7
(6) Coal washeries	—	—	—	20.0	14.7	5.3	61.0	81.0
(7) Manufacture of fertilisers	142.9	—	142.9	—	84.8	58.1	—	142.9
(8) Financial Corporation for lending to private sector	47.6	—	47.6	166.6	26.2	188.0	—	214.2
(9) Direct loans to private firms other than road & transport	—	—	—	57.6	—	57.6	—	57.6
D Exim Bank								
(1) General Lines of credit for import of capital goods	952.4	281.4	671.0	119.0	519.2	270.8	—	1071.4
(2) Air India	—	—	—	68.2	66.8	1.4	—	68.2
(3) Loans in Private sector	73.9	28.0	45.9	91.5	32.7	104.7	101.2	266.6
(4) Railways direct loan	—	—	—	—	—	—	90.5	90.5
E U S Banks	59.0	59.0	—	11.4	11.4	—	52.6	123.0
Total	4439.1	2462.7	1976.5	4121.4	2371.7	3726.2	877.9	9438.5
XVI Yugoslavia	190.5	—	190.5	—	—	190.5	—	190.5
XVII A IBRD								
(a) Public	2150.2	1685.3	464.9	338.1	596.1	206.9	—	2488.3
(b) Private	1048.2	880.8	167.2	354.8	98.7	423.3	142.9	1545.7
Total	3198.2	2566.1	632.1	692.9	694.8	630.2	142.9	4034.0
B IDA	—	—	—	1333.2	102.6	1230.6	95.2	1428.4
Total Loans	15150.6	8563.8	6586.8	10030.7	5356.4	11261.1	3285.0	28466.3
Add Grants	2634.2	2308.2	326.1	420.6	413.3	333.4	132.0	3187.7
GRAND TOTAL	17784.8	10872.0	6912.9	10451.3	5769.9	11594.5	3417.8	31654.0

BANKING RETURNS

(Rs crores)

Reserve Bank	Sep 11	Sep 4	Aug 14	Sep 13, '63
1 Note circulation	2421.17	2407.49	2452.97	2224.41
2 Rupee coins	105.92	106.33	105.12	121.86
3 Deposits				
(a) Central Govt	87.32	134.65	68.80	74.54
(b) Other Govts	26.87	15.61	23.21	11.72
(c) Banks	101.66	97.82	115.78	92.20
(d) Others	138.86	143.87	188.57	158.96
4 Foreign securities	85.46	85.46	85.46	89.46
5 Balance abroad	11.06	12.34	8.80	7.74
6 Rupee securities	2140.93	2115.93	2160.88	1907.21
7 Investments	123.66	177.34	250.01	203.56
8 Loans and advances to Govts	44.13	46.53	47.50	47.25
9 Other loans and advances	164.92	173.63	160.79	144.28
Scheduled Banks	Sep 4	Aug 28	Aug 7	Sep 6, '63
1 Aggregate deposits (net)	2473.55	2487.77	2439.50	2186.89
Demand (net)	1124.63	1130.60	1104.46	956.42
Time (net)	1348.93	1357.17	1335.04	1230.47
2 Cash in hand	62.89	64.25	64.72	52.75
3 Balance with Reserve Bank	91.27	93.79	95.56	87.84
4 (2)+(3) as % of (1)	6.23	6.35	6.57	6.43
5 Borrowings from Reserve Bank	4.83	1.91	4.03	3.05
(a) Against usance bills and/or promissory notes	2.41	0.20	2.10	1.20
(b) Others	2.42	1.71	1.93	1.85
6 Advances	1501.19	1490.17	1498.11	1256.94
(a) State Bank	323.67	320.23	323.69	241.58
(b) Others	1177.52	1169.94	1174.42	1015.36
7 Bills discounted				
(a) Inland	163.62	162.35	169.89	162.97
(b) Foreign	70.98	69.78	68.95	53.55
(c) Total	234.60	232.13	238.80	216.52
(i) State Bank	19.67	20.24	21.45	15.78
(ii) Others	214.93	211.89	217.35	200.74
8 (6)+(7) as % of (1)	70.17	69.57	71.20	67.38
9 Investment in Govt Securities	791.17	775.11	764.21	738.64
10 (9) as % of (1)	31.99	31.35	31.33	33.78

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53 = 100)

Group and Sub-Group	MONTHLY AVERAGE		
	August' 64	July,'64	August,' 63
Food Articles	*165.1*	*159.3*	*138.6*
Cereals	144.4	137.3	115.3
Pulses	159.0	147.6	108.0
Fruits & Vegetables	193.2	187.0	143.3
Milk & Ghee	146.9	150.8	130.2
Edible Oils	206.1	199.0	152.0
Fish, Eggs & Meat	173.1	173.6	152.5
Sugar & Gur	206.7	191.2	205.1
Others	186.8	183.1	184.8
Liquor and Tobacco	*129.1*	*128.0*	*119.1*
Tobacco	126.6	125.5	116.1
Fuel Power Light & Lubricants	*143.5*	*143.0*	*139.0*
Industrial Raw Materials	*166.9*	*158.7*	*138.8*
Fibres	146.6	135.2	131.8
Oil seeds	208.3	199.9	154.8
Minerals	103.7	103.7	92.6
Others	132.0	129.7	125.2
Manufactures	*135.7*	*133.7*	*130.9*
Intermediate Products	*150.4*	*148.1*	*139.0*
Finished Products	*133.2*	*131.3*	*129.5*
Textile	130.6	127.7	127.7
Cotton	136.0	135.4	135.3
Jute	111.0	99.8	101.1
Woollen	169.2	169.2	156.6
Silk & Rayon	136.9	139.0	138.8
Metal Products	169.0	169.0	163.7
Chemicals	119.3	118.5	117.4
Oil cakes	195.1	191.1	163.3
Machinery & Transport Equipment	127.1	126.9	123.9
Others	127.8	127.7	128.5
All Commodities	*155.4*	*150.6*	*136.0*



This is the house that Joseph built

It's typical of Kanakapally Joseph's energy and enthusiasm that he saved up and bought a plot of land and then designed and supervised the construction of his own house. He reads and writes Malayalam and buys good books for his children, wants a University education for his elder son. His hobby, since 1940, has been rare coins. His whole collection—totalling nearly 800 coins—cost him less than Rs. 100/-. It all began in Cochin Port where he found sailors were tipping the local boys with old foreign coins, which they were very glad to exchange for Indian coins. 'New coins for old!' was a bargain both ways.

HIS SECOND HOME IS A BARGE

Joseph is a Khalasi with Burmah-Shell Ernakulam Installation. For over twenty days a month he is aboard 'Lady Myrtle' or one of the other barges plying between Ernakulam and Quilon, carrying petroleum products from the Installation to the Depot. Joseph's day starts early. At 7 a.m. he helps to operate the winch...and the loaded barge weighs anchor. Sometimes, it chugs through the backwaters of Kerala. At other times, she is bunkering in mid-stream, delivering fuel to ocean-going ships. Then there is cleaning, chipping, painting on the deck... a familiar routine at which Joseph is adept. 'These boats are a second home to me' he says.

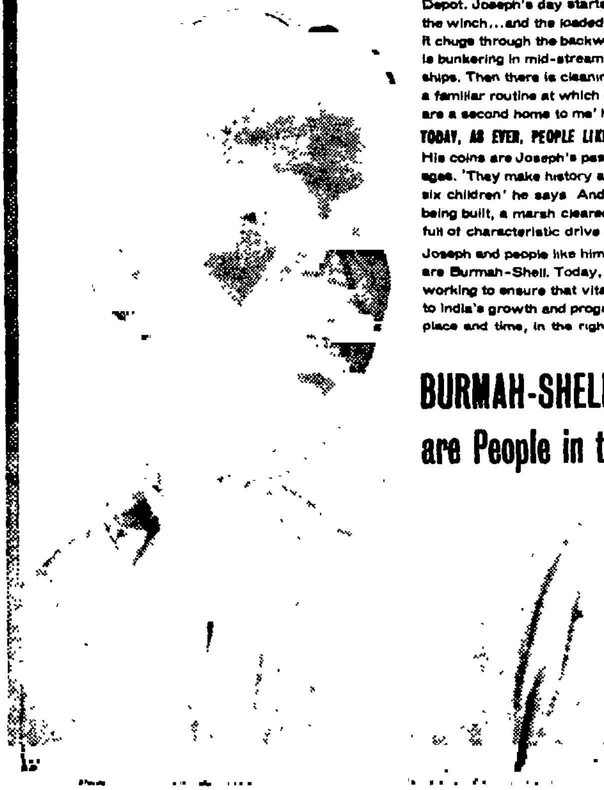
TODAY, AS EVER, PEOPLE LIKE JOSEPH ARE WORKING FOR YOU

His coins are Joseph's passport to faraway places and bygone ages. 'They make history and geography fascinating for my six children' he says. And there's social work, too. A road being built, a marsh cleared...Joseph's there, helping, full of characteristic drive and application.

Joseph and people like him—at all levels of responsibility—are Burmah-Shell. Today, as ever, they are hard at work .. working to ensure that vital petroleum products, essential to India's growth and progress, are brought to you at the right place and time, in the right quantities.

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East Wind

THE almost simultaneous occurrence of Khrushchev's ouster from power and China's first nuclear test was no doubt a coincidence, but it was a remarkable one, for the two events were both important triumphs for China. Little is known about the circumstances leading up to the palace revolution in the Kremlin on October 15. But some idea of these circumstances is vital since it alone would give the pointers to the changes in Soviet policy under the new leadership which is what the world is naturally most concerned with. The official indictment of Khrushchev in the Pravda, which accused him, among other things, of "hare-brained scheming ... hasty decisions ... actions divorced from realism ... commandism and unwillingness to take into account the achievements of science and practial experience", is of no help in the task of spotting the specific failings which led to his overthrow even as he was preparing to take public credit for the latest spectacular achievement of Soviet science — the flight of the spaceship 'Voskhod'.

Moscow's new leadership has been quick to assure the world that it would continue the policy of peaceful co-existence abroad and liberalisation at home and that the implementation of the economic programme adopted by the CPSU in 1961 under Khrushchev's direction would continue uninterrupted. There is no reason to believe that these assurances are not substantially sincere — even after making due allowance for the new leaders' anxiety not to give the impression of seeking a drastic break with existing policies — if only because these general policies of the Khrushchev era had worked well and to reverse them would serve no purpose even if it were possible. There have been, of course, economic failures, especially in agriculture necessitating large imports of grain from the West. The failure of the virgin lands scheme, in particular, which Khrushchev promoted against widespread opposition, made his position vulnerable. Similarly, after denouncing Stalin's personality cult, Khrushchev had slowly concentrated all power in his hands and collective leadership had suffered something of an eclipse since he took over the twin offices of Prime Minister and Party Secretary. These and other factors must have figured prominently in the attack on him in the Central Committee, but they could have at best buttressed the principal accusation against him.

This principal accusation most probably referred to the disintegration of the world communist movement during Khrushchev's stewardship of the Soviet Communist Party. The disintegration was the product of the conflict between the Soviet and Chinese parties which Khrushchev gave every impression of being determined to pursue to the bitter end. He had made it clear that unless the Chinese leaders recanted he would be satisfied with nothing less than the expulsion of the Chinese party, as well as other parties which supported the Chinese line, from the world communist movement. To this end he had called 25 communist parties to meet in Moscow in the middle of December to prepare for a world conference of communist parties in mid-1965 where, he hoped, China would be finally ostracised.

In the eyes of his Soviet colleagues, Khrushchev's cardinal failure must have been not that he strove to assert the supremacy of the Soviet party over the Chinese, but that he was miserably unsuccessful in this attempt, succeeding only in splitting the communist movement. Of the 25 parties

invited to the Moscow conference, only about half had agreed to attend. And even among parties who substantially shared Khrushchev's assessment of the folly of the Chinese line, there was strong disapproval of his methods and tactics. Such disapproval was perhaps best spelt out by the late leader of the Italian communist party, Palmiro Togliatti, who wrote just before his death in August. "The unity of all the socialist forces in the concentrated actions, standing above the ideological differences, in the struggle against the most reactionary groupings of imperialism is now an urgent task. One must not think that China and the Chinese communists can be expelled from that unity. Consequently, already from today on, we should work to facilitate this task rather than put up any barriers in the way to the achievement of this goal".

If it is indeed true that it was his faulty handling of the ideological conflict with the Chinese which led to his downfall, it is to be expected that the first impact of Khrushchev's removal will be in this sphere. Cessation of bitter mutual recrimination, dismantling of the elaborate strategy mounted by Khrushchev to expel China from the world communist movement and improvement in Sino-Soviet relations must follow, however slowly. This is something the world must prepare for and India in particular, because so much of our foreign policy has come to be based, deliberately or otherwise, on the assumption of a continuance of the Sino-Soviet split. Immediately after Khrushchev's fall, the Indian envoy in Moscow is said to have sought and obtained from the new Soviet Government an assurance of the Soviet Union's "continued friendship with India". That is by no means the end of the matter, however. To take one instance, the delicate balancing of large scale military aid with non-alignment that we claim to have achieved has been possible because of our success in getting military aid in roughly equal proportions from the West and the Soviet Union. Will this situation continue?

By her entry into the nuclear club, China has further underscored the urgency of this question. It is pointless to debate the morality of the Chinese test. China has never made a secret of its ambition to become a nuclear power and has over the years devoted large resources to this end. China's need for a nuclear bomb is the same as France's. If you have enemies who are nuclear powers — and China certainly has —the only defensive strength you can depend on in the ultimate analysis is your own. Though practically unusable as a weapon of warfare, the nuclear bomb is a political weapon the possession of which enables a country to deal on an equal footing with its nuclear adversary to strike political bargains and effect compromises. This is a fact which cannot be ignored while weighing the implications of China's bomb, particularly in view of the prospect of improvement in Sino-Soviet relations.

The Cabinet Approves

AT long last, the initial phase of the formulation of the Fourth Five-Year Plan is now drawing to a close. The Union Cabinet has approved of a draft outline of the Plan which calls for a total outlay of Rs 21,500 crores including investment of about Rs 12,000 crores in the public sector, current plan outlay in the public sector of Rs 2,500 crores and private investment of Rs 7,000 crores. An additional outlay of Rs 1,000 crores in the public sector is envisaged if the progress of the economy during the next 3 to 4 years warrants such an increase. The proposed allocation of the public sector outlay, when compared with the anticipated expenditure in the Third Plan, shows some improvement in favour of agriculture and social services at the expense of transport and communications, power and irrigation whereas the share of industry remains virtually unchanged. It is hoped that a plan outlay of this nature will result in an over-all growth rate of 6.5 per cent per annum consisting essentially of a growth rate of roughly 5 per cent per annum in agriculture and 11 per cent in organised industry. If past experience is any guide, the Chief Ministers of the States will endorse this broad pattern at the meeting of the National Development Council next week after the customary plea for higher outlays in their respective States.

The acceptance of this broad outline by the higher decision-making authorities in the country has to be welcomed if only because it clears the way for more substantive issues to be raised, if not settled. So much time and passion gets spent in this country on the preliminary question of the size of the plan that many of the important questions pertaining to the extent of the plan and the means for its implementation remain virtually hanging in the air. The proposed outlay for the Fourth Plan, even at its lower limit, represents a fair advance over the present levels, and it is to be hoped that the advocates for raising — or lowering — our sights would reserve their salvos for the future when the time comes to implement the Plan through successive annual budgets. On this occasion, we were also presented, from the highest quarters, with false alternatives calling for more attention to the immediate needs of the consumers. Alternatives of this kind have an obvious political appeal to a jaded public particularly at a time of rising prices. But from the strictly economic point of view, there was never any question about the soundness of the strategy adopted in the Second and the Third Plans. The essential weakness of our balance of payments, which dictates emphasis on basic industries, remains as great as ever: and the events of the past week in the international sphere have given a timely reminder of the urgency of achieving a self-reliant economy. It is, therefore, a matter of some consolation that the priority hitherto accorded to industry is not to be whittled down — at least in regard to public sector outlay — over the years to come.

So far so good. But how far does the approval of the Plan in outline really carry us? The approval of the Plan by the highest authorities in the country should surely mean something more than mere arithmetical adjudication between rival claims. It should represent at least a will to wield the means if not an acceptance of specific policy proposals. And what assurance is there that the outline will in due course get filled out in a manner which would vouchsafe better performance for the Fourth Plan than what has been the case with the Second and the Third Plans?

It has become customary in India to belittle the First Plan as a mere collection of projects and programmes. But whatever may be the short-coming of such an approach at the outset of planning, our plans in future must essentially consist of specific projects

and programmes which are selected for implementation after a more careful consideration of past experience and an assessment of costs and benefits. The time for arguing about priorities and perspectives should be well behind us and the task now is to march ahead on the course chalked out as fast as possible. The concrete programmes for achieving higher goals and higher productivity in each field must be worked out and checked and rechecked continuously so that the task at the beginning of each plan period — and indeed at the beginning of each year — should be essentially that of choosing the programmes to be taken in hand in the immediate future. One would like to be assured that before the commencement of the Fourth Plan the outlay of Rs 21,500 crores will take a concrete shape based on a careful consideration of available alternatives rather than a conglomeration of pet schemes of interested departments or States. Equally, the administrative and other improvements necessary for speedier implementation and for better co-ordination must be spelt out in advance. Unless planning in detail assumes the proportion it deserves and is inspired by the greatest regard for efficiency and speedy implementation, the hope of achieving a 6.5 per cent rate of growth even on the basis of higher outlays than now contemplated will turn into yet another factor making for greater despondency and cynicism in the country.

The meeting of the National Development Council will also do well to focus on the problem of finding adequate finance for the plan. A degree of uncertainty in regard to foreign exchange is perhaps inevitable at the present stage. But no such uncertainty needs to be felt about internal finance. Here again, false antithesis between physical and financial planning has at times created dangerous complacency about the task of raising finance for the Plan. The truth, contrary to assertions often made, is that what is physically possible is not by itself financially feasible. It has got to be made so and that is as difficult a task as any. Our recent experience after the Chinese invasion and the current pressure on prices should be enough pointers to the complexity of the problem of raising savings — a problem which has a bearing on our balance of payments also. Would it be too much to hope that the months between now and the beginning of the Fourth Plan would be spent in arriving at specific decisions in this regard rather than in trying to adjust the size and the pattern of the plan a little this way or that!

For once, we need a Plan which is business-like in the sense that it sets down a series of specific tasks and policy measures including a list of concrete projects and programmes together with the schedule for their implementation and their expected costs and benefits. There is no place now for never-ending rigmarole about objectives and priorities or for general exhortations about what the people of this country are expected to do.

Change in Britain

AFTER thirteen years of Tory rule, the British have effected a change in Government by putting Labour in power, *albeit* by the razor-edge majority of four. When the dust settles down many reasons will be advanced to explain the Tory defeat, but the attempt to see the verdict of the British people in the proper perspective is of much immediate relevance. The 13 years of Conservative Government was certainly not a period of misrule, nor did it lead Britain to economic disaster. Beginning with the Prime Ministership of Sir Winston Churchill and ending with Sir Alec's, the U K has enjoyed reasonable domestic prosperity. If the British economy remained slow-moving in comparison with its competitors on the Continent, like France, Italy and Germany, the causes cannot all be found in the policies and actions of Tory Governments. In the sphere of foreign policy, Tory rule would perhaps be best remembered for Anthony Eden's misjudgment of Suez. But it cannot be denied that the skilful statesmanship of Macmillan succeeded almost remarkably in retrieving the situation.

And yet life had been steadily ebbing out of the Conservative Government. The British people were getting bored with the same party in power for so long. More than in its specific policies or actions, there was unmistakable evidence of something amiss in Tory organisation and leadership. The same party in power too long could not but threaten a deepening of conformism and antipathy to fresh thinking. The British electorate is too sensitive and well-informed to have missed these dangers. And Labour, under Harold Wilson, did succeed to an extent in creating the image of a forward-looking, change-oriented party.

Wilson has sought to strengthen the impression by the manner in which he has proceeded to form his Government, undaunted by his thin majority. There is more than a touch of the "Kennedy style" in his choice of his colleagues. The slender majority of his party will not mean a weak Government, he declared immediately after being summoned by the Queen.

The most immediate problems facing Wilson's Government are economic. Exports have fallen again in September and the trade gap remains far too wide. The balance of payments deficit is now running at about £ 600 million annually. As preliminary measures, Wilson has proposed some export incentives and restrictions on less important imports. But he will simultaneously tackle the problem at its roots, *by establishing a Ministry of Economic* Affairs to plan industrial development on a national scale. The Ministry will be responsible for getting industry, by persuasion or otherwise, to become more efficient, to increase production and to develop in the right areas, in a co-ordinated manner.

However, the minute size of Labour's majority has raised the question of just how much of its programmes will be implemented. The Tory opposition will naturally harass the Government as much as possible, particularly on any measures which have even a faint scent of State direction of industry. The Labour proposals for improvement in the fields of education, health, housing and care of the old, etc, will be greatly affected by its ability to raise the rate of growth of the economy to 4 per cent per annum. The extra resources required for all these improvements are expected to come from a higher rate of growth. If, therefore, the Conservative opposition can manage to dilute or prevent many of the radical economic measures proposed, then Labour will inevitably face difficulties in implementing its welfare schemes.

In defence, in particular over the question of Britain's abandonment of the independent nuclear deterrent, the Government will probably move cautiously at first. There could be a change of policy in the light of recent developments in Russia and the Chinese nuclear test. It seems likely that until the American presidential elec-

tions are over and the two leaders have met, in about a month's time, the important decisions over defence will be shelved. Labour was opposed to the terms of entry into the Common Market accepted by the Macmillan Government, so there will have to be a complete change in the French attitude to Britain's entry before the Labour Government will make any attempt at further negotiations. Certainly, if the question of British entry into the Common Market does get reopened, a Labour Government will have the interests of the poorer Commonwealth countries and their trading problems much more at heart than the outgoing Conservative Government.

The length of survival of the new Government, with such a small majority, is a matter for speculation. Much will depend on the Liberals during the first few months. Before the election Grimmond used to harp on the need for change of government, and he is in fact committed to support Labour on most economic issues, except on nationalisation. If he now refuses to support Labour on important economic measures, then the suspicions of many people that in spite of all their professions the Liberals are a far from radical party, will prove to be only too true.

During the course of a year there are usually about a dozen bye-elections for one reason or another. So far, the electorate has seemed not so much convinced of the rightness of Labour's policies, as tired of Douglas-Home and his party. It is to be hoped that during the next year Labour will be able by its vigorous policies to achieve a more positive conversion of the electors in these bye-elections.

Weekly Notes

Joint Ventures Abroad

WITH the return of the industrialists' delegation to African countries, some joint ventures abroad with Indian collaboration have become more or less definite propositions. Birlas had taken the lead by setting up a cotton mill in Ethiopia in the late fifties. They now propose to expand it, and to establish a cotton mill, a jute mill, a cement plant and a composite engineering plant in Nigeria. Two Bombay firms propose to put up a cotton mill and a fertiliser plant in Kenya. Walchands will go into concrete pipes in Libya. Malhotra contemplates a razor blade factory in Ethiopia, while McKenzie, a Bombay engineering firm, is intrested in glass and paints. Jay Engineering and Atlas Cycles propose to set up factories for sewing machines and bicycles respectively in Uganda, where Mafatlal might take a hand in cotton, and some others in sugar. It has been stated that Indian enterprises would demand no guarantees other than fair compensation in the event of nationalisation and that they would, as far as possible, re-invest their earnings in the country concerned. The delegation is also said to have explored the possibilities of expansion and diversification of trade.

While closer trade and financial relations with Africa are necessary on both economic and political grounds, the logic of export of private capital is still unstated. Is such export merely an *ad hoc* development triggered off by the attractive returns which investment in Africa offers? Or is it part of a broader policy for the promotion of trade and projecting India as an aid-giver ? The fears of those who point to the loss of scarce capital and foreign exchange may be brushed aside, for the capital export involved will be nominal for years to come; and in any case we know from our own experience that, with some exceptions, collaborators hardly make a genuine large net investment of their own funds. But beyond that the issues remain obscure.

If the objective of Government is to formulate an aid programme for countries other than Nepal, then, the promotion of private joint ventures does not constitute aid by our own definition. If India is in a position to export capital goods for cotton, jute, cement, sugar, light engineering and other consumer products (about which there is little doubt up to a point), could not Government set up an aid fund and a pool of technicians to assist the export of these goods? This is not just a question of public versus private sector or of official aid versus private investment but a more important one of finding the best means of securing maximum African goodwill plus maximum trade in the long run.

No survey is required to establish that Indo-African relations are rendered difficult by the presence of a large number of persons of Indian origin settled in Africa. Their trading interests and social exclusiveness have not been conducive to harmonious relations with Africans who have, rightly or wrongly, looked upon them as petty exploiters rather than as a socially useful community. One cannot foresee how the Africans would react to the new—and bigger—businessmen from India, and their techniques of operation. Among other things, the Indian collaborators would have to refine their business methods and treatment of middle management and labour to get on par with rival collaborators. The little experience which has been gathered in this direction does not inspire much confidence. Care has to be taken, in other words, that a new dimension is not added to the possible sources of irritation and friction between newly independent African countries and India.

There is, on the other hand, the genuine difficulty that Government has no direct experience of establishing the kind of industries which are contemplated. It would face almost insuperable problems in recruiting and maintaining compact teams of technical and managerial personnel, quite aside from the procedural complexities inherent in Government organisation. If the time factor is significant, there might be some advantage in letting private enterprise go ahead so long as the joint ventures are confined to light industries. In the long run, however, an aid programme can be meaningful and consistent with our attitudes and policies only if it contains the features of Russian aid to Bhilai and U S aid for power development in this country.

Research Goes Abegging

THE Third Reviewing Committee of the Council of Scientific and Industrial Research has found among the public a lack of appreciation of the good work done by the Council and its laboratories. The Committee attributed this largely to "lack of proper publicity".

The CSIR is the largest organisation of civilian research in India and with the Atomic Energy Establishment accounts for something like 90 per cent or even more of the expenditure on scientific research. The CSIR's

own budget has grown from Rs 21.17 million to Rs 117.5 million in the ten years between 1955 and 1964. Considering its pre-eminent role in the promotion of scientific research, very little is indeed known to the general public about the organisation, activities and contribution of the CSIR, and there is no doubt that "proper publicity" can go a long way towards rectifying this unsatisfactory state of affairs. Here the CSIR may well take a leaf out of the book of the Atomic Energy Establishment.

However, there is another, and more significant, reason why much of the CSIR's work escapes public notice. This is that so little of the Council's effort seems to fructify in the form of contributions to progress of the different sectors of the economy, of industry particularly. Not surprisingly, the Reviewing Committee found that not only the general public, but even the "user organisations" — that is, the industrial companies and others who are potential users of research — were ignorant of the Council's work. A principal purpose of the Committee's recommendations, therefore, is to close this gap between research and its application.

A part of the explanation of the gap is the nature of the research conducted by the CSIR. The Reviewing Committee has emphatically urged that research programmes should be mainly concerned with applied research and its related basic research rather than with pure research. Reserving pure research for the universities, the Committee has recommended that roughly 80 per cent of CSIR's effort should go towards applied research and the remainder to "basic objective research related to the long-range objectives of industrial research". The Council's research programmes, it is suggested, should be framed in the context of the country's plans for industrial and economic development and should be made up of well-defined projects with clear objectives and the applied research projects should be time-targeted and normally should not extend beyond a period of three to five years.

Not Research-Minded

ALL this is unexceptionable, of course; there can be no two opinions about the need to give research a practical orientation. But it is a fact that demand also has a bearing on the pattern of research. And from the Reviewing Committee's report it is amply clear that so far industry has evidenced little interest in scientific research. To quote from the report: "With a few striking exceptions, industry in India, whether public or private, is less research-minded than industry in the countries which have advanced as a result of science and industry".

The CSIR has established a few research associations in collaboration with some of the leading industries like textiles, silk and art silk, rubber, paints, etc, and has been supporting them financially to a considerable extent. To take one example, the laboratory of the Ahmedabad Textile Industry's Research Association, half of whose capital and current expenditure is met by the CSIR is, according to the Committee, "one of the most successful examples" of CSIR's co-operation with industry. Yet, in spite of a policy of discouraging "too much of routine testing on behalf of the factories", the major part of ATIRA's work consists of "testing, quality control and trouble-shotting" on behalf of individual mills.

This kind of "research" contributes little to the development of the industry and should certainly not be considered the purpose of collaboration between an organisation like the CSIR and industry. As the Reviewing Committee itself points out, "in other countries, Government support is more for research of an applied nature of long-range benefit to industry, rather than for testing, quality control or industrial psychology which would be entirely financed by the industry".

The Committee, in the course of its discussions, found a "a belief that a large part of Indian Industry is not interested in research, that it lacks the spirit of adventure and the capacity to take a calculated risk necessarily involved in utilising indigenous research... that it was more interested in collaboration and obtaining technical know-how from abroad which should mean quick returns and guaranteed profits". Much evidence was adduced before the Committee in support of this contention. "At the best a company would agree to take over a process provided every element of risk was removed by the laboratories carrying the work far beyond the pilot plant stage".

This is not really difficult to explain. The major objectives of the use of research are improvement in quality or reduction in cost of existing products or the possibility of introducing new or substitute products or processes — all in the ultimate expectation of higher profitability. However, in India in the conditions created by industrial licensing and import control such efforts are seldom necessary to earn a satisfactory profit. And even where it is necessary to employ new techniques, Government policy itself prompts the entrepreneur to seek foreign collaboration and thus solve all his technical problems at one stroke. In the case of import of goods, before a licence is granted an attempt is made to verify that the items sought to be imported are not produced in the country. Apparently, no parallel precaution is taken before applications for import of technical know-how are approved.

Holy Days and Holidays

THE Government of Ceylon announced last week its decision to adopt a five-day week from January next year. Further, all full-moon days which are days of religious observance for Buddhists will also be public holidays.

A number of Buddhist associations had demanded that the four "poya days" (the days of four phases of the moon) should be holidays each month. It was argued that this would restore the *status quo ante* before the advent of the British and once again make Ceylon "Buddhist".

Some of the full moon days will no doubt fall on Saturdays and Sundays but the number of holidays is bound to increase, unless some holidays at present in force are given up. One can look at such a development as the choice of a community between work and leisure and expression of a desire to devote the incremental leisure to religious purposes or preparation for the next life. However, to the extent that a minimum of economic well being is necessary to permit the serenity required to worship the Buddha and to practise his principles, the present decisions of the Ceylon Government are likely to have some not very desirable consequences.

The consequences will be, of course, independent of whether the increase in the number of non-working days is due to "poya" holidays or the five-day week. They will depend on the working hours under the new system and the categories of workers who will be affected. In the U S A and the U K working hours generally add up to 35 per week. In India and a few other countries, on the other hand, there are a very large number of public holidays and, besides, even with half-day work on Saturday, many Government offices

and public institutions work only 33 hours a week. Following the Chinese attack in 1962, the Government of India did lengthen the working day by 30 minutes but the Emergency has now worn out and the old practice has been resumed in many places. Further, the effective time worked tends to be considerably lower than the nominal working hours. A close study of workers in a textile mill in Kanpur showed that on an average they were strictly "at work" only for about 4½ hours each day. Shri Krishna Menon stated some time ago that Government staff really worked only for about 3 to 3½ hours per day. One doubts very much whether conditions are any better in Ceylon. If account is taken also of the differences in efficiency, whether due to better climate, better working conditions or the greater availability of capital equipment, between workers in the western countries which have a five day week and countries like India or Ceylon, the demand for shorter working hours in the latter countries can only indicate a very strong preference for leisure over material goods and services.

The self-employed will probably remain largely unaffected by the Ceylon Government's decision on holidays, but those who work on piece-wages may face a cut in their earnings. And if the trade unions insist on common holidays, the five-day week will result in extensive under-utilisation of scarce capital. In Bombay, for instance, there is said to be scope for employing some 30-35,000 more workers in the textile industry if the trade unions agree to the mills' working on Sundays, permitting a staggering of holidays.

If, however, the trade unions do not insist on common holidays, employment opportunities would probably increase as a result of the need to make up for the fall in the flow of goods and services as a result of the shorter working week. This may have its political attractions in the short run but the additional incomes of the newly employed as well as payment of present emoluments to the currently employed for lesser work and lesser output cannot but add to inflationary pressures.

Though economists may argue for harder work in the low income countries, developments such as those in Ceylon illustrate the limited validity of the assumption of "economic rationality" or of maximisation of income. The puritanical attachment to work, implicit in economic thinking, overlooks the fact that the individual seeks to maximise his "real incomes" and the satisfaction (or utility) derived from holidays or holy days may more than compensate the loss of material goods and services.

Ombudsman for Britain

THE Labour Party's capture of power in Britain has naturally focussed public attention on the measures the new government will adopt to further its socialistic aims. It is obvious that economic policies will claim major share of the new government's efforts. The balance of payments problem in particular seems to need Wilson's immediate attention.

Less publicised, but far-reaching, are Wilson's plans in the administrative sphere. In this category falls his pre-election pledge to introduce an Ombudsman for Britain, if his party should come to power. The proposal for the appointment of a parliamentary commissioner or civil rights commissioner to investigate complaints of the people against administrative actions were outlined in detail by Wilson in a speech at Stowmarket. The aim is "to humanise the administration and to improve relations between Westminister and Whitehall on the one hand and the individual citizen." The commissioner would report to parliament and his report would be debated there. In addition, there would be a high-powered select committee of the House which would examine the reports of the commissioner and report to Parliament on them. Wilson went on to explain: "The committee would also be free to initiate enquiries which had not been the subject of a report by the commissioner. This procedure would follow very closely the present parliamentary machinery for investigating waste or other improprieties in the field of government expenditure, where the Comptroller and Auditor General, an independent official responsible to parliament, has a full right of investigation, his reports being ultimately considered and followed up by the Public Accounts Committee, who, in turn, report to parliament.".

Wilson had then pledged that the Labour Party would introduce early legislation to give effect to these proposals. It would be necessary to save the commissioner and the select committee from being swamped by too many cases and in the first year or two it might be necessary to limit their activities to actions taken by the Government. Later their activities would be extended to cover other public bodies and local authorities. There was also a strong case for providing at least the larger local authorities with their own Ombudsman. Wilson conceded that a difficult question related to the rights and duties of Members of Parliament. "Nothing should be done which could even marginally diminish the work done by M Ps on behalf of their constituents and the public generally. It might be right, therefore, to provide that access to the commissioner should be through a Member of Parliament because, in many cases, a Member would know that a particular problem would be better and more speedily handled by direct action on his own part, or to ensure that the Member concerned was notified of any approach by a constituent to the Commissioner."

Unlike certain other Labour programmes, Wilson's narrow majority is not likely to come in the way of implementing this measure. There is much enthusiasm in Britain for the Ombudsman—the Danish Ombudsman has revealed that he has been getting complaints from Britain! The Society for Individual Freedom and the British section of the International Commission of Jurists, 'Justice', have already supported this idea by sponsoring studies on the subject. Even the Tories are not opposed to it, though they maintain that existing machinery in this respect is enough. The Ombudsman has so far been successful in countries with small populations and though Britain will not be the first Commonwealth country to experiment with the institution--New-zealand already has one—it would be interesting to see how the Ombudsman works in a country with Britain's population.

Longer Plans?

ONE basic difficulty in our planning has arisen from the five-year time span of the plans, according to Food Minister Subramaniam. The Minister was inaugurating a special course in project evaluation in Jaipur organised by the Indian Institute of Management, Calcutta, jointly with the Economic Development Institute of the World Bank. Pointing to the long gestation lags implicit in modern technology, he emphasised the need to plan in longer sequences than five years, especially in industry.

The use of modern technology in industry does no doubt lead to long gestation periods, but does it necessarily follow that the optimum time-

unit for our Plans should be longer than the present five years? The long gestation periods notwithstanding, it is always possible not only on a theoretical plane but also in the practical formulation of plans to dovetail projects fructifying over a period longer than the period of plans. What is necessary is to build into the plan the gestation lags in investment. When a particular type of investment is envisaged at the beginning of a plan, output flowing from it is not always included in the income target assigned to that plan. On the other hand, for scientific calculation of income growth, the fruits of investment incurred in a previous plan period but fructifying in the current plan have to be taken into account. This is commonplace and has been done in the preparation of the Five-Year Plans. If Plan performance has been inadequate or below expectations, the causal factor has to be sought not in the lack of correspondence between the gestation periods of giant industrial schemes like heavy machinery projects or steel plants and the time-span of the Plan but in failures of the garden variety, of project planning, execution and administration.

Quite apart from this, a mere change in the time-period of the Plan does not automatically make any difference to the size of the Plan or the growth targets. If, for instance, the period of the plan were changed from five to seven years, it would mean one of two things: a given volume of investment would be spread over a longer period in which case the size of the plan is in effect reduced; alternatively, some of the investment which would have been made in the subsequent Plan would be added to the investment in the current plan, in which case there need be no change in the effective plan-size.

In fact, the time-span of the plan may be quite irrelevant either for improving planning technique or for increasing the size of the Plan effort. A few years ago it was argued in academic circles that for better results the period of the Plan should be synchronised with the length of the agricultural cycle. The argument for a longer-than-five year Plan period does not gain in validity just because it is now based on the nature of technology in industry instead of the nature of agricultural production.

Capital View

New Emerging Power Balance

Romesh Thapar

LOOKING back on the three leading events of the past week --the crude, unceremonial removal of the great Khrushchov by party bureaucrats, the nuclear fire-cracker detonated by Mao's China to celebrate the event and to end her isolation, and the wobbly victory of Britain's Labour Party in a general election which had little to distinguish it from a horse race --tends to make woolly pragmatists of us all. Yet, in these events, there is a new pattern of trends emerging which it would be foolish of us to ignore.

The theory that the Kremlin coup against Khrushchov blocks liberal tendencies in the Soviet Union and opens the way for a *rapprochement* with the pig-headed purists in Peking is superficial and glib. So, too, the over-worked attempt to dismiss China's nuclear success as a threat to peace. The two developments are inter-linked and mark another decisive change in the international power balance, a change which is taking place, significantly, at a time when the major western nations are politically in the doldrums as can be seen from the deadlock in Britain, the rise of Goldwaterism in the USA and the huge question-marks which hang over France, Germany and Italy.

Obviously, the party bureaucrats in the USSR, popularly described as 'managers' and 'technocrats', together with the army brass, decided that it was no longer possible to permit an unpredictable Khrushchov to shape Soviet policy, particularly a Khrushchov who had become the symbol of open and uncompromising hostility to the Maoists who were about to bomb their way into the councils of the world. China's new nuclear status implies that the ideological battle within the communist world will undergo certain transformations, will become more subtle, less vitriolic. In other words, the battle will continue, more in the style advocated by Togliatti of Italy before his death. Indeed, his last testament may have been the last straw for Khrushchov.

No Dynamic Ideologues

The dominant party managers and technocrats in the USSR, particularly of the Brezhnev-Kosygin school of thinking, are no dynamic ideologues, anxious to impose their thinking on other groups and parties. They are reported firmly to believe that the socialist age has finaly arrived, that a multitude of forms will develop, that communist parties must be dealt with as equals, that where communist parties enjoy State power they should be treated with full respect and decorum. This approach coincides with that of the army which sees the international situation through the calculations of an overriding military-strategic confrontation with determined but divided and despairing enemies.

The crudeness of the operation against Khrushchov is not only typical of Russian political practice but is an inevitable outcome of secretive inner party functioning which is viable only through a balance of factions or through the imposition of the ideas of a single group or man. The irony of it all is that Khrushchov who came to power *via* this system could only have retained that power in a full-blooded democracy; his charismatic hold would have destroyed the opposing managers and technocrats!

While communists all over the world must be groaning at the political gangster methods of their Soviet comrades, the adventurist Maoists are using this period of confusion to push the notion that they have been victorious in the ideological tussle. Nothing could be further from the truth. The Maoists will now be fought skilfully and silently with cold, calculating brainpower - not by flamboyant, dramatic moves (space journeys, apart!)

In fact, there is no alternative for those communists who disagree fundamentally with the Maoists. Sooner than we expect, China will find her way into the United Nations — or, at least, into all major big power conferences. Dean Rusk of the USA more or less implies as much, and so does Brezhnev when he talks of immediately strengthening the United Nations. The logic inherent in this movement to make an outlawed China respectable is that those Maoists who wish to remain outlaws will have to be broken. Upon whom will the axe fall? A difficult question, judging

from the nature of the ideological controversies which are already breaking through the crust of Chinese secrecy.

Our dismal failure to see the interrelationship between the events in the USSR and China, and our unhealthy obsession with the idea that our interest lies only in the severe isolation of China, have the effect of choking serious analysis of the transformations taking place in the world. So blunted has our thinking become that we even fail to grasp the meaning of the petrification of political institutions in the developed societies of the West which are caught in the dissipation arising from the assertion only of the narrow aims of national aggrandisement. Unless we cut through the superficialities which entangle us, we are in danger of isolating ourselves from the main currents.

Britain, after her latest election, enters a period of prolonged political instability; if not instability, at least paralysis. The USA, whatever the result of the presidential contest in early November, will see the break-up of bi-partisanship; the conservatism of Goldwaterism cuts across the traditional two-party system, creating new tensions for which the USA has no appropriate shock-absorbers. In France, they know not what will follow the aged de Gaulle. In Germany and Italy, the classic economic crisis takes shape.

Further Reforms in Marxism

The USSR, still the focal point of the communist world, senses this as the moment of opportunity. Khrushchovism is retired. It has played its historical role. Now, the post-revolution managers and technocrats hoist themselves into the saddle. They will plan to raise the prestige and power of the communist world by undertaking further reforms in Marxist theory and practice, reforms which take note of the realities of the new age. Sharp differences within the communist movement are likely to continue, but the aggressive quality of the debate will change now as China is persuaded to give up the ways of the outlaw and is admitted into the Embryonic policy-making councils of the world.

The bitter struggle of the ideological groups within the communist world cannot but continue so long as dogma distorts methodology. Only when it is realised that the arrival of the socialist age demands the formulation of new concepts regarding Party and State organisation will the brutalities of communist practice be ended. And this maturity will be made possible when the post-Stalin generation of communists emerges as the main force. Until then, we must expect sudden, and *apparently* inexplicable, upsets in the communist world.

Keeping this general background in mind, and conscious that the trends unleashed by Khrushchov can only be 'sugared' for dogmatists and sectarians, not reversed, India has no reason to become panicky. The USSR will continue to value Indian friendship. A more responsible China will perhaps emerge from the present fluid situation. The western powers, caught within their own crises, will also see the need for support in South Asia. But, and this is important, India cannot conduct herself with a primitive *ad hocism*. We have to view the new trends in an historical perspective. Who will trigger this thinking?

From the London End

Labour in Power

THE photo-finish results of the 1964 Election have brought the Labour Party under Harold Wilson into power by the very slim overall majority of four seats. The final count was 317 seats for Labour, 304 for the Conservatives and 9 for the Liberals. It will be recalled that the Attlee administration in 1950 also had a very slender overall majority. But it was not the fact of a small majority which brought down the Labour Government in 1951; it is perfectly possible for Governments to continue in office even on very slender majorities. Going back in history, one is reminded of the Whig Government which was elected in 1847 with a majority of one, and remained in power for four years seven months and thirteen days. More recently, the Menzies Government in Australia, with a majority of only one seat remained in power between December 1961 and November 1963.

What conclusions can one arrive at regarding the mind of the electorate when one analyses the result of the polls? It appears obvious that disillusionment with the Conservative Government has not been translated into enthusiasm for the Labour Party. The restless dissatisfaction of the voters, reflected particularly in the resounding defeat of number of Tory Ministers and an increased Liberal vote, did not make them all turn to the Labour Party.

Fall in Tory Vote

The proportion of the vote cast for the Conservatives was only 43.4 per cent—a fall of 6 per cent since 1959. All the support that the Tories had gained in 1951, 1955, and 1959 has been whittled away in 1964. Indeed, the 6 per cent fall since 1959 is the biggest decline in support any Party has suffered at an Election since 1945.

At the same time, the Labour Party has no cause to be complacent about its own poll. It is possible that the evening rain on polling day prevented a number of Labour supporters from going down to register their votes, but the fact remains that the Labour Party received only 44.1 per cent of the total vote. This proportion is almost identical with the votes cast for them at the 1959 Election and is the second smallest proportion of the vote the Party has got at any post-war election. This result is particularly disappointing in view of the fact that a year and a half ago, according to the Opinion Polls, Labour had a bigger majority over the Conservatives than any Party has enjoyed over its rivals since the start, a quarter of a century ago, of Opinion Polls in the U K. This brings out only too sharply the fact that there still is, among the British electorate, a deep-seated distrust of the Labour Party, and while before the election people flirt with the idea of voting for Labour as a protest against the Conservatives, when it comes to actually choosing the Government the rival parties are able to exploit this distrust and votes, which looked as if they might go to Labour in protest, are, in the event, held back.

One of the striking features of this Election was the large Liberal poll which was over three million—the highest for 35 years. This poll, which was one-quarter the size of Labour's, was, one is forced to believe, a reflection not only of dislike for the Conservatives, but distrust for the Labour Party as well.

Another interesting feature of the elections is that the Tories had based their hopes of victory on the theme of

prosperity, and the swing against them was greater in the areas which had the heaviest unemployment two years ago. For example, in Liverpool the swing to Labour was as high as 8.7 per cent and in Glasgow was 7.2 per cent.

Perhaps one of the most distasteful results of the Election was the defeat of Patrick Gordon-Walker at Smethwick whose opponent was, without doubt, swept to victory by the "white backlash". There is no doubt that the racial issue was used to unseat Gordon-Walker, and the slogan "if you want a nigger for a neighbour vote Labour" used in the campaign, did a great deal to rally support for the Tories among the population which is upset by the effect of immigration. Although, generally speaking, racialist fears have not been exploited in the campaign, the 7 per cent swing for the Conservatives in Smethwick—far greater than in any other seat—, the high votes won by three anti-immigrant independents in the London area and the defeat of Fenner Brockway in Eton and Slough, shows that in these areas the racial issue was used.

Wilson's stature continued to grow during the Election, and his technique of handling the campaign had many echoes of the Kennedy style, although, of course, there were remarks that he was conducting the campaign more like a Presidential election. Once elected, Wilson has got down immediately to the business of governing, and has indicated that although his majority is so small, he believes he has been given a mandate to govern and this is precisely what he intends to do. There is no doubt that he has inherited a very difficult economic situation which will have to be dealt with immediately. The trade figures for September, published the day after the Election results, show that Britain's trade gap rose to £111 million in September—£16 million above the August level, and the third largest on record. More significantly they show that exports have dropped back again, and the visible payment deficit appears to be gradually widening. This means that steps will have to be taken to control the situation, and many of these will be unpopular. Again, Wilson is faced with a sudden transformation in the international political situation: the replacement of Khrushchev, the approaching crucial U S elections and the explosion of China's first nuclear weapon.

The speed with which Wilson has announced the names of the chief members of the Cabinet shows that he realises the seriousness of the situation facing a Labour Government with a tiny majority, confronted with economic difficulties at home and a changing political scene abroad.

National Economic Plan

Harold Wilson is known to regard overcoming the economic difficulties as the most urgent task facing the new Government. Indeed, the very first announcements he made of his Cabinet dealt with members responsible for economic affairs. George Brown is to be Minister of the new Department for Economic Affairs and Callaghan, Chancellor of the Exchequer. It remains to be seen how this division of economic responsibilities will work out in practice. At the moment, George Brown will be "responsible for framing and supervising the plan for economic development and for the general co-ordination of action to implement the plan, and also for all economic policy related to industrial expansion, allocation of physical resources, and regional implications of the expansion programme". Callagnan will deal with estimates, expenditure, and accounting for the Government, and budgetary taxation and monetary policies including international monetary problems. To summarize, Brown will be responsible for physical resources and Callaghan will deal with all aspects of the national economy. Brown will be Chairman of "Neddy", but the new ministry and not "Neddy" will be responsible for preparing the first draft of the national economic plan. Sir Donald McDougall has already been taken over by the new ministry. Douglas Jay is to be President of the Board of Trade.

While it is not possible to deal with all the members of the Cabinet, certain appointments are interesting. Perhaps the most interesting of them is the appointment to the Cabinet of Frank Cousins who is to be Minister of Technology a completely new post, which is a further indication of Wilson's determination to modernize. To have got such a powerful member of the Trade Union movement inside the Cabinet is itself significant. Cousins' appointment will obviously have most important repercussions in helping to persuade the Unions to accept new automotive equipment in industry which could help to revolutionise production and thereby provide a more viable basis for an incomes policy which would be acceptable to the Unions.

Another new post is that of the Minister of Overseas Development and Mrs Barbara Castle has been appointed to it. The creation of this new post and the attempt to streamline the multifarious organisations which now deal with the crucial problem of aid and development, shows that the Government is certainly taking this problem very seriously. Another indication of the Government's interest in the problems of the developing countries is the appointment of Hugh Foot as Minister of State for Foreign Affairs, who will act as permanent British representative at the United Nations. This shows that the Labour Government wishes to give more active support to the United Nations, and th ugh it, to the developing countries.

Wilson has created a Welsh Secretaryship of State, based on Whitehall. The post is to be held by James Griffiths, one of the few members of the Wilson team who has sat in the Cabinet before.

Another change made by Wilson is the decision to separate once more Colonial and Commonwealth affairs. Anthony Greenwood is to be Colonial Secretary, and this seems to imply that the Wilson Government plans to take swift and incisive action on Aden and a number of other pressing Colonial problems. Bottomley is to be Secretary of State for Commonwealth Relations.

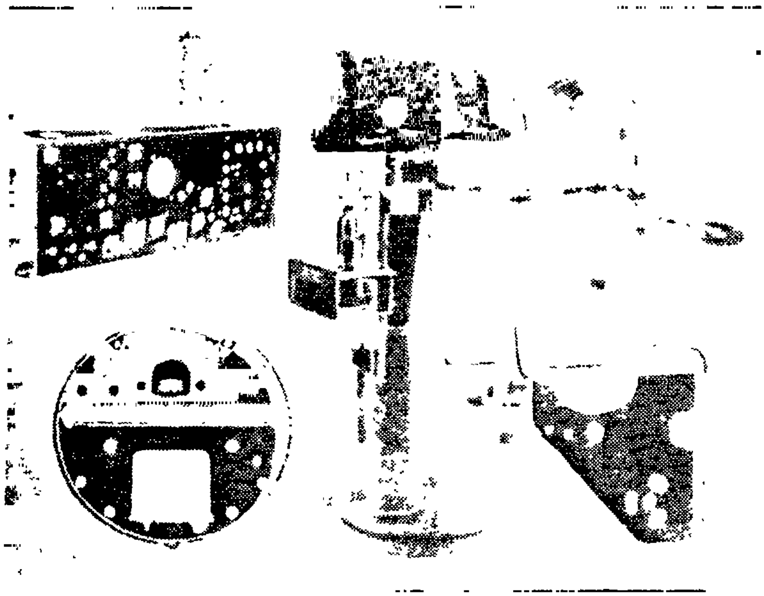
Healey, as was expected, has become Minister of Defence, and Roy Jenkins, one of the able younger members of the Labour Party, is to be Minister of Aviation. The exchange of the roles of Michael Stewart and Richard Crossman has caused some surprise. Crossman is now to look after Land and Housing and Stewart, Education and Academic Science.

Election Result

	Seats	Gains	Losses
Labour	317	61	5
Conservative	304	5	63
Liberal	9	4	2

Aggregate Votes and Percentages

	1964		1959	
Labour	12,197,456	*44.1*	12,208,834	*43.9*
Conservative	11,989,130	*43.4*	13,734,276	*49.3*
Liberal	3,086,609	*11.2*	1,636,291	*5.9*
Others	348,914	*1.3*	254,845	*0.9*
Total percentage polls		*77.0*		*78.9*



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Letter from South

Confrontation in Kerala

THE odd process of splintering combined with fusion continues in Kerala and is likely to take final shape as tri-polarity by the time the election battle gets into its swing. As a result the people will not have a clear choice between reaction and progress, which would have been so good for them and for the rest of India.

The split in the Congress seems now to be final. Even Kamaraj with his flair for consensus and pragmatic patch-up was unable to bring the rival groups together. He found that any major concessions made to the Chacko group would have meant that a substantial section of the present supporters of the fallen Ministry would have walked out. And without such concessions the dissidents refused to come back. It is also true to say that, on balance, the dissidents represent the more openly reactionary sections of political leadership in the State. They are the hard core of the infamous 'Liberation Front' which built up the campaign to topple the Namboodiripad Ministry in mid-1959. The Catholic bishops and the Nair Service Society chiefs, especially Mannath Padmanabhan, are its driving force and mentors. Not only are they declared exponents of communalism and reaction but it seems to be only a matter of time and of expediency before they publicly declare their adherence to the Swatantra Party.

The 'Real' Congressmen

At present their tactic is to claim that they are the 'real' Congress, that they represent the 'real' interests of Kerala as distinct from those who have become the stooges and satellites of the High Command, especially of the 'Tamil Schemer' called Kamaraj. They also insist that the only way forward for the Malayalees is to recapture the spirit of unity and passion which marked the days of the *Vimochana Samaram* (Liberation War) against the Communists. To this end they are contacting the Muslim League with the aim of open alliance but with the readiness to settle for adjustments. The Nair communalists have some marginal influence in the Malabar strongholds of the League which could guarantee the latter victory, despite the swing of some sections of the Muslims towards secularism and progress. Similarly, the League's help would be invaluable to the dissidents in some marginal constituencies in erstwhile Travancore-Cochin. The League is still smarting from the rough and slipshod treatment it received from the Congress, after it had helped to prevent the Communists from returning to power. Its natural partners, therefore, are those who have now made it their objective to return to the good old days of an unabashedly reactionary anti-Communist alliance. But it will naturally judge on the basis of strength and might decide that adjustments with different partners at different places might fetch it the best dividends.

S S P's Opportunism

Another party being wooed by the Liberation Fronters is the SSP. This is not merely the old PSP with some syllabic changes. It is the old PSP, but with a clearer orientation towards Lohiaite postures. It should not be forgotten that it had joined the anti-communist bandwagon and as a prize its leader had been made the Chief Minister for quite some time. But it, too, had its experience of the Congress ability to back out of arrangements and found itself not only without its Chief Ministership but even without its leader. Though greatly reduced in strength, it does retain some pockets of influence and some prestige drawn from its all-India character. It present policy of being ready for adjustments with anybody who is against the official Congress makes its susceptible to any and every kind of opportunistic offer. It may well ally itself with the Left opposition in one place, with the League in another and with the dissident Congressmen somewhere else. This may appear to be short-term wisdom but it is disastrous to the prospect of the SSP evolution into a distinct socialist entity with a definite programme and dedicated cadres.

The official Congress is facing a most difficult situation. Its chief concern for some time was the struggle to maintain its official status as the only means of cementing itself into something like a recognisable political force. This struggle it seems to have won for the time being. But this status itself is not all a matter of advantage as far as the general mass of the people is concerned. The great bulk of the people in the State intensely want to get rid of Congress rule which has brought them nothing but stagnation, inflation, corruption and instability. They have also not forgotten that it was the Congress which had initiated and engineered the *Vimochana Samaram* and which had then shed its partners one by one, till the climax was reached with the division within itself. Further, it is clear that the official Congress shows no signs whatsoever that the shedding of the dissidents means any shift in its policies or outlook. It is not at all clear on what platform the official Congress is going to campaign except for the old one of all-India prestige, intimidation and bribery. All that can be said for it is that a section within it, as well as a part of its mass following, has relatively a more forward-looking attitude to the problems of Kerala and the rest of the country. With the death of C K Govindan Nair, however, this section has been seriously weakened. The followers of Sankar, as well as Sankar himself, are no less communal than the dissidents and have a most unenviable record as far as morality and integrity are concerned.

Leftists Off to Good Start

The left opposition has got off to a good start by concentrating attention on working out a minimum programme to which all partners in the coalition would be committed. This alone gives the people the assurance that the left is earnest, that it has some idea of what to do about Kerala's problems and that there is some cementing force which gives hope of stability. There is nothing specially radical about this programme. It is not markedly different from the one the communist-led Ministry had enunciated and which Namboodiripad had described as more or less the programme which the Congress had proclaimed but never implemented. The different left parties are expected to discuss this programme and finally endorse it, after suitable amendments, by the middle of next month.

Other groups might later be contacted for purposes of alliance and adjustment. But the heart and core of the left opposition is the unity

between the two Communist Parties that now formally exist in Kerala. The PSP, of course, plays a very important role in the left front as does the peasant's organisation of Father Vadakkan, a former architect of the anti-Communist front. But without either of the CPs coming in to it, the left Front will be a truncated and enfeabled coalition. The two CPs have roughly about the same strength, with the Left Communists having two most prestigious leaders and a good rank-and-file following while the official CPI has the bulk of the second-rank leadership and an equal number of rank-and-filers. The split has had the most unfortunate consequences for the Communist Party especially if we keep in view how full of possibilities the situation was for it. It is also rather more difficult to understand why the left Communists did split, since Namboodiripad claims that he is quite opposed to the international line of the Chinese Communists. However, the split is a stark reality.

Differences Among Communists

A real point of controversy seems to be emerging with the ambivalent approach adopted by some Left Communist leaders towards the Muslim League and the dissident Congressmen. Some of them operate on the principle that the main bulwark of reaction is the official Congress and that to overthrow it there would be no harm in allying with the devil himself. Other leaders are of the view that mere anti-Congressism is not enough. The main consideration should be the building of such a coalition as would guarantee the implementation of the minimum programmes which would be homogeneous enough to give the people the assurance of stability. The latter is also the view of the official CPI which, however, also goes further to stress the urgency of defeating the forces of communal reaction, apart from trouncing the Congress. It remains to be seen which of the left communist views finally prevails. Equally, the official CPI has to be vigilant against the appearance of any tendency which would advocate some adjustment with the official Congress on the ground that this was necessary to give a blow to right reaction. Once these political hurdles are crossed the awkward question of allocation of seats will present itself.

Thus we have a series of confrontations in Kerala, enmeshing each other and creating a complex web of alliances. Some order, or course, will emerge as the election campaign begins to propel the masses to a more active participation in making the politics of this State.

On towards progress . . .

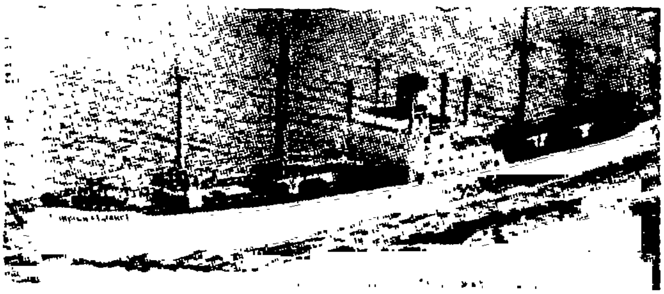
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Book Review

The Facts of Foreign Aid

Arthagnani

Public International Development Financing in India, *Report No 9 in a series of studies on Public International Development Financing sponsored by the Columbia University School of Law; principal contributors, R K Hazari and S D Mehta. Published by Columbia University, New York, 1964; pp viii+256, price not stated.*

THIS is an important report because it is the first comprehensive presentation of the details of India's foreign currency obligations—the extent of dependence, the terms (the rates of interest, repayment periods, restrictions on use) on which the aid has been obtained—as also the changing attitudes towards aid both in the donor countries and in India. This is the first systematic assessment of foreign aid and its role in India's economic development.

An examination of India's attitudes to foreign aid presents an interesting study of evolution from the initial haughtiness (and implied naivete) about foreign aid to the gradual recognition of our dependence on it, percolating into adjustments in policy to conform to the aid-giving countries' requirements. The U S refusal to aid Bokaro perhaps provided the final demolition of the high Brahminical theory that India was obliging the donors by accepting aid.

Soft Loans to the Rescue

Fortunately for India, the period of India's foreign exchange crisis coincided with an agonising appraisal, particularly in the U S A, of the long-term implications of foreign aid and the subsequent softening of the terms of aid. Soft loans as instruments of national bribery are not unknown in history: but soft loans, given in recognition of the borrowers' inability to repay and without a political *quid pro quo*, reflects a realisation by a country of its international obligations, which is quite new, and the credit for this what Winston Churchill in another context called an "unsordid act" must go to the U S A. And as a result of its example and under its prodding, other countries, with varying degrees of reluctance, have had to modify their own terms of aid.

However, if the terms of aid have become softer (though recently a hardening has again become noticeable), gradually a ceiling has begun to appear on the quantum of aid under the impact both of the donor countries' unwillingness to make out blank cheques for the receiving countries' economic development and of the growth in the ranks of countries seeking such assistance. The result is that while the price of foreign aid has gone down, the supply curve has become inelastic at around the present level of supply.

Aid from Soviet Bloc

India also gets considerable aid—much of it in the form of trade—from the Soviet bloc countries. Following the pattern set, for example, in the thirties in relation to Turkey, the USSR, has extended long-term aid at low rates of interest for specific projects like Bhilai Steel Works. However, the principal development in the relations between the Soviet bloc countries and India has been the considerable growth in their trade—which has enabled India to increase its import of development goods by increasing her exports to the Soviet bloc. Complaints about trade with the Soviet bloc are not unknown — about the re-export of goods to India's traditional markets, about the high prices charged to India. However, discounting for all these, given the initial low level of trade between these countries and India, it must be recognised that the trade relationships do prove the classic theorem of trade being of benefit to both the sides.

From India's point of view, the story of foreign aid must be deemed to be an unhappy one, the responsibility for which must lie at our own doors. We have reached a position where we carry foreign currency reserves which are not adequate as working balance, where not only is the whole foreign currency component (on capital account) of our plans dependent upon negotiation of further foreign aid but our exports are not sufficient to meet the maintenance import requirements of the economy. And while many, including the authors of the Report under review, play up the fact that nontied, non-project aid has been used fairly fast, in fact this is only further proof of our ability to indulge in a spending spree (after all, it took us less than two years to squander away the huge foreign exchange reserves we held at the end of the First Plan) and such non-project aid represents present consumption and does not increase our future manufacturing capacity out of which to meet amortisation obligations in future.

In fact, if our present repayment obligations are small, it is only because our utilisation of foreign aid has been slow. And while the authors, keeping themselves to a factual review of the position, only refer broadly to increasing repayment obligations in future, the present reviewer's calculations show that these would go up from the present Rs 100 crores (about 20 per cent of the annual foreign aid of Rs 500 crores) to about Rs 200-300 crores (almost half of the likely constant figure of foreign aid) towards the end of the Fourth Plan period. In other words, the "net" foreign aid available would decline from the present level of Rs 400 crores to about Rs 250 crores by 1970-71—unless the gross foreign aid figure is raised or the repayments are re-amortised (as has had to be done with the Rourkela credits). The only other relief would be through increase in exports, and despite the gimmics of export incentives, as the controversy between Professor V K R V Rao and the Ministry of International Trade showed, this is not a feasible proposition.

A Crisis of Our Own Making

The foreign exchange crisis is of our own making, and its solution must be sought within our borders—rather than outside. It is not only bad manners, but bad economics, for Professor V K R V Rao to lecture the international and foreign lending agencies about their procedures for slowing down utilisation of foreign aid. The crisis would become manageable if we looked at our own procedures, particularly the import licensing system, which makes for delays in execution of projects, irrelevant bureaucratic control, and the general inefficiency of the economy. A revision of import licence policy—issue of import licences with money limits only (after all, elementary text-books state that money is a gene-

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ralised measure of value) with banned lists of imports and forward planning of such lists—would prove more beneficial to the economy than the cheese-paring that is done today with physical lists of items covered by import licence.

The foreign exchange crisis should be dated not to 1957-58 when, after a short and sharp halt, India resumed her spree of foreign exchange spending, but to the mid-1962 postponement of the consortium meeting which first brought us face to face with the reality of our foreign exchange situation and since when almost all our decisions are made on a calculation of their foreign exchange implications. The economy has never been able to regain its momentum or self-confidence since then. Foreign aid is also the basic factor behind the hesitations noticed on the Fourth Plan.

It is, therefore, time that India recognised that the foreign exchange component of its plans is not an independent, externally-determined variable, but is a function of the size and pattern of the plans—and of the efficient husbanding of resources. Granted that a development process (as shown by the experience of Canada in the first decade of this century as also of other countries earlier and since) must be accompanied by an inflow of foreign currency resources, there is little justification for the precarious position into which our administrators have placed the Indian economy. India lacks self-discipline to recognise the truth about her foreign exchange position and to be severe with herself—as was shown by what happened after the 1957-58 foreign exchange crisis. Foreign aid should not be used to perpetuate laxity in administration and irrelevant bureaucratic controls going with it.

The major contribution of the authors is the painstaking efforts they have devoted to bringing to light all the facts and implications of public international development financing in India. They present a lucid analysis of the facts, and of Indian motivation in decisions about them; another study in the series has provided an important insight into lenders' motivations. The authors refrain from drawing any conclusions—a self-imposed limitation which in no way detracts from the value of the study. The facts and analysis are there, for those who want to draw conclusions on any aspect arising from them.

Andhra's Fourth Plan

(From a Correspondent)

THE draft Fourth Plan of Andhra Pradesh prepared by the State Government envisages an ambitious outlay of Rs 1,400 crores, of which Rs 650 crores will be in the State's sector, including Rs 250 crores in the private sector, and Rs 750 crores will be in the Central sector. This substantial outlay target is dictated by the objectives of raising per capita income of the State (Rs 234 in 1961) and bringing it on a par with the all-India level (Rs 243 in 1961) by the end of the Fourth Plan, and of establishing, as far as possible, a balance between progress in the agricultural and the industrial sectors, which has been glaringly lacking so far.

In Andhra there has been so far too much concentration on and preoccupation with agricultural development and irrigation projects and other schemes connected with agriculture. This was to some extent inescapable in view of the character of the State's economy. A shift in the direction of a more equitable balance between the two sectors — agriculture and industry — initiated during the current Plan, has made some, but not much, headway. The process of redressing this imbalance is expected to gain greater momentum during the next Plan.

The "strategy" of the Fourth Plan, as the State Government envisage it, would be, first, to concentrate on the expansion of the consumption goods sector, with special emphasis on agriculture, on fuller utilisation of irrigation potential created in the earlier Plans and on quick yielding programmes like minor irrigation, and, second to pursue the long-term goal of catching up with the other States by laying the foundation for large-scale industrialisation in subsequent Plans. It would be part of the strategy to create a substantial power potential, to increase and expand technical education facilities and to develop potential industrial areas to attract new industries.

Attempt to Reduce Inequalities

In the Fourth Plan a realistic and practical attempt will also be made to reduce intra-State imbalances in development. The expansion of primary education, the provision of larger employment opportunities and development of transport facilities in different parts of the State would be part of this attempt. A significant proposal is the one to encourage the formulation of area plans for every district, taking the panchayati samiti block as the basic unit for local development. In these plans the emphasis will be on development of local initiative and mobilisation of local resources through public co-operation programmes.

An ambitious plan is easy to formulate but difficult to execute unless one has a clear idea of how the requisite resources are to be raised, of what proportion of the targeted resources will be found by the State Government and what would be the extent of Central assistance (both direct for specific State projects and through allocation of Central projects to the State), of the prospects of additional taxation, and so on. In the past roughly 50 per cent of the resources for the State's Plans have come from the Centre; it is now expected that the rate of assistance may rise to 75 or 80 per cent in the Fourth Plan. On this assumption, the resources that the State Government would have to find would come to about Rs 140 crores. According to a tentative assessment, Rs 47 crores of this would come from contributions from revenue account, Rs 63 crores from open market loans, Rs 10 crores from small savings, Rs 18 crores from public enterprises — the State Electricity Corporation and the Road Transport Corporation — and Rs 13 crores from public accounts. Resources to be raised through additional taxation at the State level are placed at Rs 60 crores. Part of the expenditure under different heads will naturally be on schemes undertaken during the Third Plan.

Of the proposed investment of Rs 650 crores in the State sector (public and private) Rs 126 crores, or more than 25 per cent will be on agriculture and associated programmes such as animal husbandry, fisheries, co-operation, community development and irrigation, mainly minor irrigation: Rs 100 crores will be on major and medium irrigation; Rs 160 crores

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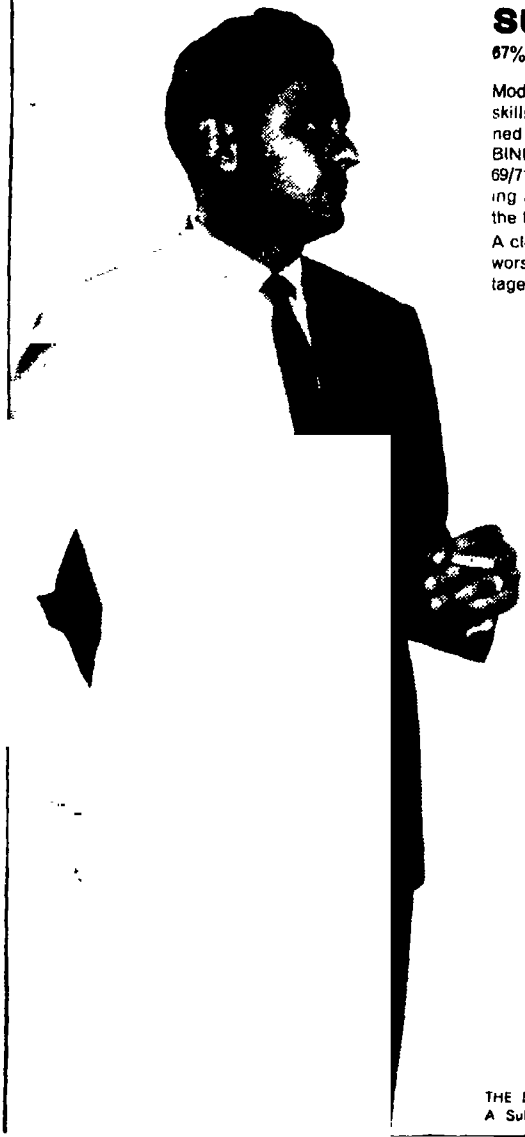
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on power development; Rs 35 crores on industry and mining; Rs 45 crores on transport; Rs 40 crores on education; and Rs 68.50 crores on medicine, public health and other welfare schemes.

Physical Targets

Some of the physical targets proposed to be achieved are raising foodgrains production from an estimated 90 lakh tons in 1966 to 118 lakh tons by 1971 and oil seeds production from 14 lakh tons to 19 lakh tons, extension of area under the soil conservation programme from 2.69 lakh acres to 5 lakh acres, increase in membership of co-operative societies from 30 lakhs to 45 lakhs, increase in the number of villages electrified from 5,000 to 15,000, and expansion of enrolment in schools of children in the age-group 6-11 years from 37 lakhs to 52 lakhs. These are the principal targets which must be achieved if the growth of aggregate and per capita income in the State is to keep pace with the growth of income contemplated at the all-India level and if a sure and strong foundation for more rapid growth in the subsequent Plan periods is to be laid. It is, therefore, of the utmost importance that efforts should be directed towards mobilising the necessary resources and towards achieving the physical targets aimed at.

The conditions necessary for success may be listed as follows: first, the amount of Central assistance that the Plan takes credit for should be forthcoming; second, the Centre's policy of dispersal of large public sector industries, such as steel plants, fertiliser plants, and others, should take note of the facilities existing in Andhra or which the State Government is willing to create; third, there should be effective built-in safeguards against a rise in prices, especially of foodgrains, and also adequate incentives to cultivators to produce more; fourth, the administration and the implementing agencies in charge of specific programmes must be toned up to achieve the physical targets according to schedule and at minimum cost; and, most important perhaps, the rate of growth of population in the State should be held in check at 1.57 per cent which is the rate that has prevailed in the decade 1951-61.

While, as already stated, a total outlay of Rs 1,400 crores is the minimum necessary to narrow the gap between per capita income in the State and the all-India per capita income, whether the target of outlay in the State sector can be reached will depend, on the one hand, on the resources that the State Government itself can raise and on stepping up private investment in industry and other sectors and, on the other hand, on the allocations that the Centre will be willing to make for large-scale Central projects in the State. The latter will, in fact, be a deciding factor. It is expected that in view of the compelling necessity to eliminate regional imbalances in development and in view of the extensive opportunities and facilities that Andhra Pradesh offers for large-scale industries in the public sector such as steel, fertiliser, and minerals, the Centre will accept the need to establish some such projects in the State, though whether the target of Rs 750 crores of Central outlay will be fulfilled remains to be seen.

Case for More Assistance

Andhra's claim for a larger share of Central assistance as also a bigger outlay on Central projects in the State is expected to derive support from the fact that the actual outlay by the State Government in the first two Plans exceeded the sanctioned amounts, being 101 per cent in the First Plan and 105 per cent of the Second. This performance may be repeated in the Third Plan. It will be pointed out no doubt that this performance has been made possible by the large outlay — Rs 103 crores out of the total of Rs 501.26 crores, or about 21 per cent, in the Second and Third Plans -- on long-term projects in irrigation, power and industry which will begin to yield results only by the end of the Fourth Plan. However, as the benefits from these projects will certainly not be restricted to Andhra, there is justification for the Centre providing larger financial assistance for their execution than hitherto.

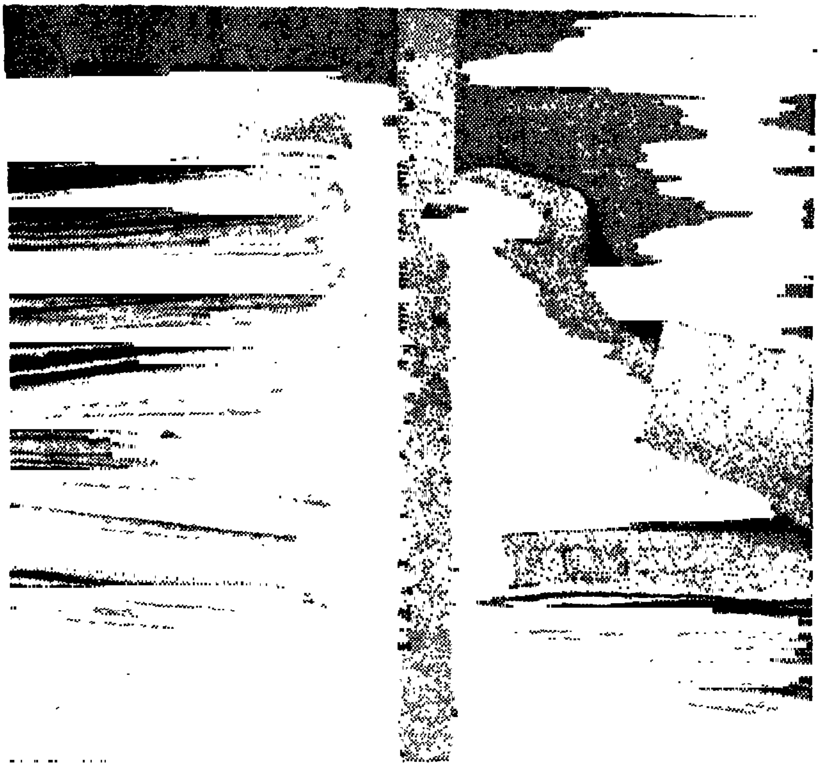
While the claim for larger Central assistance and bigger outlays on Central projects in the State is not without justification, the State Government's own responsibility to raise resources available within the State by all possible means is in no way diminished. Necessary incentives and facilities should be given to private entrepreneurs to invest capital in medium and small-scale industries. Every effort should also be made to accelerate the rate of savings by encouraging capital formation in the rural and urban areas, particularly in the former where with agricultural production gaining tempo on account of price support and other measures, the agriculturist should be in a position to save and invest in productive rural industries.

From this point of view the special emphasis proposed to be laid on area planning at the district and lower levels is most commendable. Once rural development in the comprehensive sense, with the accent on effective utilisation of land resources and increasing agricultural production, and on the promotion of a variety of small village industries based on agriculture, gains fillip, the rural sector in Andhra will become the mainstay of the State's economy and the principal factor in its rapid economic growth. The State's Fourth Plan, when it is finalised, should be conditioned by this fundamental factor. Panchayati raj institutions in Andhra, which had a good start on those in other parts of the country and have in some ways gained greater experience in the implementation of community development schemes, should be helped to formulate effective plans for their respective areas and to implement them successfully. Provided they receive proper guidance and assistance from the State Government, panchayats are likely to give a good account of themselves. There are happy indications that the panchayat samitis and zilla parishads in the State are being given an idea of their role in development.

Engineering Bricks

THE National Buildings Organisation, Ministry of Works and Housing, proposes to establish an integrated plant for the production of facing bricks, heavy duty bricks and vitreous clay tiles. The plant will have an annual capacity of 2.5 million facing bricks, 2 million heavy duty bricks and 0.5 million sq ft vitreous clay tiles from clays of the Indo-Gangetic Plane. The capital investment required will be Rs 8,50,000, the foreign exchange component of which will be about Rs 50,000 only.

The heavy duty bricks, called engineering bricks, known for their high strength and can be used in multi-storeyed construction for load bearing purpose. Facing bricks for external cladding are likely to be in good demand in big cities because they do away with plastering. Paving and flooring bricks can replace the concrete and other special floors which are resistant to heat and chemical attack.

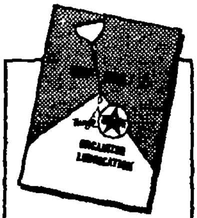


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Linguistic Groups in Urban Areas

R Jayaraman

The need for 'emotional integration' has received its due share of publicity, but very few attempts have been made so far to study the problem systematically.

For instance, we do not clearly know what it is that we are out to integrate. What are the problems of integration? In what ways do the emerging social institutions help? What are the problems and experience of communities trying to adjust themselves to new surroundings, within India, after moving from their original places of residence?

Sociological studies of linguistic groups in urban areas can throw considerable light on the process of adjustment of groups which are culturally diverse.

[The author wishes to express his gratitude to Andre Beteille for his comments on this paper.]

THE British hegemony over India for well over two hundred years brought about far reaching changes in Indian society. British rule, among other things, set in motion the two closely related developments, viz, growth of cities and internal migration. The English-educated Indians found employment in Government departments under the British. The British Government encouraged the founding of new industries, trade and commerce. These new economic opportunities were, by and large, available in the bigger administrative and industrial centres such as Calcutta, Madras, Bombay, Delhi. People from all parts of India moved into these centres to avail themselves of the new avenues of employment. This led to a comparatively high rate of internal movement of people. Another factor which contributed to the movement of people was the introduction of a modern transport system. The introduction of a modern transport system improved communications between villages and between villages and cities. Moreover, the British administrators did not put any restriction on internal population movements.

Internal migration has increased appreciably since India became independent in 1947. In fact, a significant feature of Independent India is the enormous movement from the linguistic State to another for employment. The Partition had altered significantly the ethnic structure of many of the cities in North India. Because of a comparatively high rate of internal migration after 1947 many of our bigger cities and towns, the centres of new economic opportunities, have become linguistically and culturally more heterogeneous. Cultural heterogeneity is particularly noticeable in the population of major cities such as Bombay, Delhi, Calcutta, Madras.

II

Need for Study of Cities

The ethnic and cultural differences of people in urban areas are closely linked, among other things, with linguistic differences. In any city in India one is bound to come across a large number of linguistic groups.

A heterogeneous city or a town is a miniature India. It symbolises the cultural diversity of the country. In India sociologists and social anthropologists are increasingly turning their attention from village studies to urban community studies. The culturally homogeneous and identifiable linguistic groups in urban areas are fruitful and, to a certain extent, convenient units of study. Though a linguistic group is not an undifferentiated community, it can be distinguished, as a whole, from other linguistic groups. A linguistic group is a convenient unit of study because a majority of its members are found in a few localities, and, to a large extent, in similar occupations. Because of these features intensive field work techniques can be used to great advantage in studying linguistic groups in urban areas. Moreover, sociologists by turning their attention to studies on linguistic groups in urban areas can contribute to the understanding of rural-urban differences and the role of traditional social institutions such as caste, kinship, family, region and religion.

A Miniature India

Sociological studies of linguistic groups in urban areas are important in another significant way. The coming together of different cultural groups in cities has resulted in a rich and diverse cultural life. A certain amount of tension shows itself between these cultural groups, and sometimes personal and group conflict is translated into open bloodshed. At times tension is heightened by a concentration of certain groups in certain spheres of economic activity. In a way this was what had happened in the relationship between the Hindus and the Muslims in India. The developments leading to the creation of Pakistan and the subsequent communal riots involving Hindus and Muslims have rudely shaken our faith in the so-called 'oneness' of India. The events following Partition have made us realise that we cannot afford to take for granted the essential unity of India. Moreover, recent communal troubles in certain parts of India, particularly in Bengal, Assam and Madhya Pradesh drive home the importance of preserving the age-old structure of Indian culture, namely, 'unity in diversity'.

There are many people in India today who consider that cultural diversity, accentuated particularly after the re-organization of States, is gaining over unity. For instance, they cite the growing 'local patriotism' as an index of the growing disunity. The demand for the formation of Dravida *nadu* in the South is often cited as an extreme example of this disunity. Those who consider that cultural diversity is gaining advantage over unity say that unless these fissiparous tendencies are curbed by firm action, the future of India as a single political unit is bound to be gloomy. There are others who are prone to be less pessimistic but who, all the same, point out the danger in the recent communal disturbances and inter-State conflicts. All of them, therefore, talk and write about the need for national unity, cohesion and solidarity.

Task for Sociologists

Though the call for national integration or what is popularly known as 'emotional integration' of Indians, belonging as they are to four or five major religions, innumerable castes and speaking 14 or 15 major languages, has gained its due share of publicity in newspapers, only a few attempts have been made so far to study the problem systematically. For instance, we do not clearly know what it is that we want to integrate. What are the problems of integration? Is full or complete integration possible or feasible or desirable? How far can caste, community, regional and religious interests be subordinated to national interests? Is the

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local interest always opposed to the national interest? In what ways are the emerging social institutions helpful in national integration? What are the problems and experiences in adjustment of communities in the new places after shifting, within India, their original places of residence.

Sociologists will be required to study soon the question of national integration. It is, indeed, necessary to make a historical study of the question. Sociologists and social historians can ill-afford to neglect study of the problem of Indian unity. In a small way sociological studies of various liguistic groups in urban areas can throw light on the process of adjustment of groups which are culturally diverse.

III
Tamilians in Nagpur

It is my intention to give in this short paper the findings of a sociological study of Tamilians who in their quest for employment have emigrated to Nagpur. In addition, this paper presents some aspects of the adjustment process of the Tamilians in Nagpur.

Nagpur is a city predominantly of Marathi-speaking people. Among the non-Marathi speaking people in Nagpur the Tamilians are numerically an important community. According to the Census Report, 1951, there were 14,097 South Indians living in Nagpur. The total Tamilian population in 1951 was 5,030 with 2,521 men and 2,509 women. In 1957, at the time of conducting this study, the total Tamilian population had nearly doubled through natural increase and immigration.

At this stage we must have some idea of the internal structure of the Tamilian community in Nagpur for a proper understanding of the adjustment process. The Tamilian community consisted mainly of persons belonging to the Brahman caste. There were a few families belonging to the Non-Brahman castes of Mudaliar, Pillai (Vellala) and Naidu (Tamil). A majority of the Tamilians were residing in four closely situated localities of Nagpur town. Most of them were engaged in secular occupations, particularly in clerical jobs. However, among the Brahmans, there were about 15 to 20 persons who devoted their time exclusively to priestly functions for the Brahmans. About sixty per cent of the Tamilians were from rural sections of Tamilnad. Though the number of people in the age-group 1 to 20 was considerable, the community consisted mainly of persons above the age of 20 years. Most of them were married. The Tamilians differed in their length of residence in Nagpur. About sixty per cent of them had come to Nagpur during the last 10 years while the remaining forty per cent had come earlier.

The Tamilians had varied educational qualifications. Men among them had more education than women. Fifty five per cent of the Tamilians were matriculates, 25 per cent graduates, 15 per cent under-graduates, and only 5 per cent had not passed their matriculation. On the whole, more than 90 per cent of them had a working knowledge of English. It was found that about 90 per cent of the Tamilians had come to Nagpur to earn their livelihood. Most of them were in the lower administrative jobs. There were two main cultural associations of the Tamilians in Nagpur. More than 80 per cent of the Tamilians were members of one cultural association or the other of their community in Nagpur.

IV
Social and Cultural Background

A number of social and cultural factors have affected the process of adjustment of the Tamilians with the local people. We shall briefly consider here a few of the most important factors keeping in view the social background of the Tamilians in Nagpur.

(i) Economic background: As stated earlier, most of the Tamilians migrated to Nagpur to earn their livelihood. Most of them were working as clerks. They belonged to the middle income category with a monthly income ranging from Rs 150 to Rs 700. The local Maharashtrians were required to compete with the Tamilians for jobs. There was a tendency among the Tamilians to consider themselves to be more efficient than the local people. The competition of Tamilians coupled with their sense of superiority aroused ill-feelings towards them as the popular saying in Nagpur *kaha jaha vaha Madrasi* (where there is a vacancy there will be a Madrasi) reveals. This dormant ill-feeling was one of the most important impediments towards adjustment of the Tamilians with the local people. This was the case as far as the middle-income category was concerned.

The adjustment process of the few members of the higher income category was different. For instance, a person with a monthly income of Rs 1,000 or so did not generally find it difficult to adjust himself with the local people. People of the high income category were often accepted as members of local associations of Maharashtrians, invited to attend their functions and provided with opportunities of friendship. In this way they established contact with the local people and got themselves adjusted if not thoroughly assimilated. This contact may broadly be characterised as friendship of affluence.

It was also not difficult for the few members of the very low income category with an income of less than Rs 50 per month to adjust with the local people belonging to the same income category. In this case it was the friendship of poverty which bound the Tamilians with the local people.

It was largely the members of the middle income category, as mentioned earlier, who found it difficult to adjust with the local people.

(ii) *Cultural Associations:* It was the members of the middle income category who formed the core of the cultural associations of the Tamilians. A certain amount of cultural isolation resulted from being members only of these associations. Moreover, there was a tendency among the Tamilians to have friends in their own community only. It was found that three out of five friends of Tamilians happened to be Tamilians. This again led to isolation which arrested the process of adjustment. However, there were a few institutions among the Tamilians which were favourable to bringing about adjustment of Tamilians with the local people. Though the active membership for the Tamilian social and cultural associations came from Tamilians, the activities of these associations were widely dispersed to include others. For instance, the school run by the Tamilians admitted children belonging to the various communities in Nagpur, such as Maharashtrians, Bengalis, Hindi-speaking people. Instruction was offered, in addition to Tamil, in some local languages such as Hindi and Marathi. These things helped a great deal in the adjustment process of the Tamilians with the local people.

(iii) *Linguistic Background*: As regards the linguistic background, we see that English was one of the languages most used by the Tamilians. English acted as a link between the Tamilians and the English-knowing local people. However, most of the Tamilians were also able to speak Hindi and had a smattering of Marathi. About 25 per cent of the Tamilians held one diploma or another in Hindi and more than 35

per cent of the Tamilians educated their children through Hindi or Marathi medium. English and Hindi helped a good deal in the adjustment of the Tamilians in Nagpur.

(iv) *Caste Background:* Since most of the Tamilians were Brahmans, they were able to indentify, if not adjust, themselves with the local Maharashtrian Brahmans. Though differences existed, from names to food habits, ceremonies, rituals and other day-to-day activities, this did not prevent them from adjusting with the local population. For instance, Tamilians actively co-operated, in their respective localities, with the local people in the annual Ganapathi festival. Common caste and cultural background helped a great deal in the adjustment of the Tamilians with the local people.

(v) *Length of Residence:* The process of adjustment of Tamilians in Nagpur was also related to the time they spent in Nagpur. The longer a person stayed in Nagpur the more he adjusted himself with the local people. As the person stayed longer he or she acquired landed property, and many a time his or her sons or daughters settled down in Nagpur permanently.

(vi) *Inter-Community Marriages:* In the ten years, 1947-57, only four or five inter-community marriages had taken place involving Tamilians. Inter-community marriages were not common.

V
The Process of Adjustment

The various social and cultural factors affecting the adjustment of the Tamilians with the local people are mentioned in the preceding section. In this section an attempt is made to sketch a synoptic picture of the process of adjustment.

The Tamilians with a different culture are a minority, an 'island' in a city of Marathi-speaking people. For a majority of Tamilians the necessity of making a living and achieving a standing in the society demands adjustment with the local people. At the cultural plane, adjustment of the Tamilians with the local people often involves the adoption of ways and habits at variance with elements in their own ways of life. For instance, to cite only three new practices of the Tamilians, wearing trousers while going to office, eating *chappatis* and the more complex one, speaking in Hindi or Marathi are at variance with their original practices. The new situation strains the Tamilians. Some are able to switch over to new practices quickly. They are more flexible in their habits and practices. The new situation strains the less flexible personalities more. If the less flexible individuals are adults who have already established their patterns of behaviour, their attitudes and habits, they are quite settled in their old ways of life. The traditional ways are the 'right' and 'proper' ways for them because they have already adjusted to them. For these people contact with the local practices brings about some degree of shock, creates resistance and arouses a good deal of confusion. This is, of course, only one side of the picture --lack of proper adjustment.

On the other side, the first thing the immigrant adult usually does is to try to adjust himself to the new situation. He acquaints himself with and adopts the local practices and learns the local languages as much as possible to enable him to get along in his occupation. He may prefer to live in a locality of his own people where he finds familiarity with the language ,cultural associations and institutions. If he is a government employee, as most of them are, the vocabulary in Hindi or Marathi he is likely to pick up will consist of elementary conversational bits to enable him to do his work. If he is employed by large government offices such as the office of the Deputy Accountant General, Posts and Telegraphs, his boss is likely to be a Tamilian, one who has been in Nagpur longer, understands Hindi and Marathi and he can converse with him in Tamil or English. Gradually he picks up certain other elements of the local culture, first, from his fellow Tamilians who have been longer in Nagpur. After a few years of stay in Nagpur he learns more about the customs and practices of the local people by himself. If he is in an office where he associates with only local people he gradually absorbs directly more and more of the local culture. He will have two patterns of behaviour, one adapted to his place of work and to contacts with non-Tamilians, the other appropriate to his home and to contacts with his fellow Tamilians from the South. For instance, a Tamilian in his house generally will drink coffee in a tumbler while outside he may have no objection to drinking tea in a cup. Similarly, in a Tamilian's house a Maharashtrian guest is offered tea in a cup while a Tamilian guest is offered coffee in a tumbler.

The women among the Tamilians are found to be more isolated from local contacts than the menfolk. There are exceptions to this in the case of those who live with the local people. In localities of mixed population the local people also absorb some of the customs of the Tamilians. In general it can be stated that only a small proportion of people who come to Nagpur as adults, either men or women, ever become totally adjusted to the local situation. To adjust with the local people it takes two to three generations. Most of the Tamilians are first generation immigrants in Nagpur.

The adjustment that school and college-going children of the Tamilians are capable of is different from that of their tradition-bound parents. From the time they begin to play on the streets and go to school or college they are subject to two different environments—one in their homes and another in the school and playground. But the adjustment of young people is less difficult than that of adult persons who do not possess flexible habits. In fact, children are the agents for bringing non-Tamilian practices into a Tamilian home.

VI
Conclusions

Now to sum up, though we have dealt here with the problem of adjustment of a group of people—Tamilians —in a specific city--Nagpur—as a localized problem, yet there will be many cities in India with linguistic groups whose process of adjustment will be similar to or even more fascinating than that of the Tamilians in Nagpur. Whatever the nature of such a process of adjustment and the place of occurrence, the social, economic and educational backgrounds of the individuals constituting a linguistic group are of paramount importance. The personality of the individual is also important. The more flexible the personality the more easy the adjustment.

We must also keep this in mind that Nagpur, like Bombay and Delhi, is becoming an all-India centre of culture which facilitates the process of adjustment of culturally diversified groups. To any one who knows Nagpur it will be clear that its permanent residents have not the same outlook as Maharashtrians in Poona or Tamilians in Tanjore or Gujaratis in Surat. From the point of cultural affinities Nagpur is all-India, neither Maharashtrian nor Tamil, providing to all communities the freedom to develop their own language, literature, art, music and drama. The very nature of the population composition of the city contributes to harmonious relations among culturally diverse groups.

Institutional Agricultural Credit in Asia

Mohinder Singh

That the arrangements for provision of institutional agricultural credit need to be strengthened and expanded in the still-predominently agricultural countries of Asia is obvious. But how to ensure that the major part of the credit needs—at least the needs for short-term production credit—of the vast majority of farmers are met on time, at reasonable cost and through institutional sources?

And, what is perhaps more important, how to ensure that agricultural credit policy plays a dynamic role in promoting productivity and production?

In seeking answers to these questions, it is important to take stock of the existing situation in greater detail, especially with a view to identifying some of the problems being encountered as well as the successful experiences in dealing with these problems.

[The views expressed in this article are those of the author and not those of the Economic Commission for Asia and the Far East.]

ONE of the important problems facing many of the Asian countries today is the need to step up the rate of growth of agriculture in order to meet the needs of their rapidly increasing populations and also to provide, to an increasing extent, the needed surpluses for domestic industry and foreign exchange earnings. Almost all of the Asian countries have prepared and adopted some form of agricultural development programme, usually within the framework of an over-all economic development programme. Since land resources are limited in many countries and since existing yields per hectare are usually very low, the development programmes lay emphasis on increasing productivity of land. However, inasmuch as agricultural production takes place on millions of small farms whose operators have limited resources, it is important to support developmental effort with appropriate arrangements for the supply of institutional credit. Thus, institutional agricultural credit, which had its origin, in many cases, in the intention of governments to provide relief to the farmers following some natural disaster or to mitigate somewhat the hardships arising from the onerous terms of private money-lenders, has acquired a new significance.

Two Groups

But what has been the experience hitherto in the provision of institutional credit? As is well-known, for around six decades, efforts have been made in the Asian countries to make increased supplies of institutional credit available to the farmers on reasonable terms. Considerable headway has been made and much experience gained. While the progress made varies appreciably as between the different countries, two broad groupings are possible. Thus, we have at one extreme, Japan, Southern Korea, and Taiwan where the supplies of institutional agricultural credit are large (over $200 per hectare of land under cultivation in Japan and Taiwan), a sizeable part of the production is marketed and yields per hectare are appreciably higher than in the other countries. Over there, institutional agricultural credit covers almost all the farmers and meets the major part of the needs of farmers for short-term credit, especially production credit.

The second category comprises of almost all of the other Southeast Asian countries. In these, the bulk of the credit needs of farmers are met through non-institutional sources at relatively high rates of interest and supplies of institutional credit are limited (ie, usually less than $5 per hectare). More important, however, is the fact that in these countries credit is being used largely for undertaking production along traditional lines or for meeting the needs of family consumption (including social ceremonies) and hardly contributes to raising of productivity of land.

Sources of Institutional Finance

That the arrangements for provision of institutional agricultural credit need to be strengthened and expanded (especially in the context of the developmental effort under way) is obvious. But how to ensure that the major part of the credit needs (at least the needs for short-term production credit) of the vast majority of farmers are met on time, at reasonable cost and through institutional sources? And, what is perhaps more important, how to ensure that agricultural credit plays a dynamic role in promoting productivity and production? In seeking answers to these questions, it is important to take stock of the existing situation in greater detail, especially with a view to identifying some of the problems being encountered as well as the successful experiences in dealing with such problems.

To begin with, it has to be noted that institutional credit is available through government departments (including developmental or financing institutions established by governments), commercial banks and co-operatives. However, the volume of credit available through governmental source is limited and is often intended to meet special situations like provision of relief following some natural disaster, settlement of tenant farmers on newly reclaimed land, etc. Hitherto, direct lending to individuals by governments for covering current expenses of production has been limited, except in Taiwan and Indonesia. In the former case, co-operatives have generally acted as agents of the Government for disbursement and recoveries. In the latter case, co-operatives are understood to have been selected recently as the main agency for channeling credit to the farmers.

Commercial banks are engaged primarily in the financing of trade and their role in financing agricultural production is extremely small. Furthermore, it is confined to estate agriculture (as in Ceylon) or to areas where production is largely market-oriented (as in some parts of Thailand). Here and there, government-owned commercial banks (the Philippine National Bank) or government-supported private commercial banks (for example, rural banks or development banks in the Philippines) have started providing (short-term, or medium-term) credit for production. However, their relative importance, as a source of finance, is as yet small.

Predominance of Co-operatives

Far more important than direct government lending and commercial banks are co-operatives as a source of institutional finance. Thus, the available information[1] shows that in many of the Asian countries (eg, Ceylon,

India, Japan, Southern Korea, Southern Viet-Nam) the agricultural credit available through co-operatives accounts for four-fifths or more of the total volume of institutional agricultural credit. Sometimes, a distinction is made between credit provided by co-operatives on their own and funds channelled by them as agents of government bureaux. For example, in Taiwan, the credit provided by multi-purpose co-operatives directly accounts for around one-third of the total institutional credit. However, the bulk of the balance of two-thirds is disbursed and recovered by the co-operatives as agents of different government bureaux.

The predominance of co-operative credit as a source of institutional credit implies naturally that in any programme designed to strengthen institutional credit, co-operatives have to play a leading role.

Achievements and Failings

But how are the co-operatives faring at present? The existing organizational structure, which reflects the influence of historical, economic and other factors, shows some common features. At the base, there is in every country a primary co-operative which caters to the credit needs of farmers. At the apex of the structure, there is a financing institution. In-between these two levels, that is, at the district or prefectural level, there may be a district co-operative bank, a prefectural union (as in Japan), or a branch of the apex financing institution. In some countries (eg, parts of India and Pakistan), there also exist co-operative unions in-between the primary society and the district level institution, which scrutinise loan applications and assist in disbursement and collection of loans from primary societies.

As noted above, there is in every country at the operational level a primary society. This unit usually epitomises the vitality and service potential of the co-operative movement in a country. Let us, therefore, examine the position of the primary societies in some detail.

In most of the countries, single-purpose credit societies predominate, though multi-purpose societies also exist. Thus, in Malaysia, Nepal and Thailand, credit co-operatives are mostly single-purpose unlimited liability societies. In Ceylon, India and Pakistan, credit is supplied through single-purpose (both unlimited and limited liability) as well as some multi-purpose limited liability societies. The single-purpose societies are usually confined to a single village and the average membership usually varies between 17 and 41. However, the multi-purpose limited liability societies often serve more than one village and generally cover 90 to 200 farmers. Speaking generally, the proportion of farmers covered in a country by co-operatives does not usually exceed one-fifth of the total number of farmers.

While in almost every Asian country, the owned funds of the co-operatives form less than 10 per cent of the working capital, the co-operatives in the agriculturally less advanced countries are also not able to mobilize rural savings to any significant extent and are dependent primarily on loan funds provided by governments or central banks. The loans advanced per member per year are small, especially when considered in relation to per hectare of farm-land (eg, approximately $16 in Ceylon, $12 in India, $12 in West Pakistan $4 in Nepal[2]). The procedures involved are cumbersome and the time taken to sanction loans vary from a couple of weeks to a couple of months. Furthermore, the security requirements are often rigid and unduly restrictive. Thus, in addition to limited geographical coverage, co-operatives do not generally account for more than 15 per cent of the over-all borrowings of farmers. And the credit available through co-operatives is mainly for short-term.

Three Weaknesses

Three other weaknesses characterise the credit situation in these countries. One is the weakness of the arrangements for carrying to the farmer knowledge of improved know-how and of convincing him of its superiority. (This, in turn, may be due partly to inadequate attention to needed research at development of improved techniques). Secondly, arrangements for supply to the farmer, on reasonable terms, the needed agricultural requisites for adoption of improved know-how are weak and often inadequately co-ordinated with provision of credit. A combined result of these two weaknesses is that credit in these countries does not contribute, to any significant extent, to raising of yields per hectare. Third, the arrangements for marketing of produce are far from satisfactory. That the existence of a large number of intermediaries engaged in marketing of agricultural produce reduces the share of the consumer's dollar which goes to the farmer is well-known. What merits special notice in this context is that, in the absence of some institutional arrangements for marketing, it is not easy to ensure effectively that the farmer gets some minimum return for his produce. And furthermore, in the absence of a suitable institutional link-up between marketing and credit, the co-operative credit societies are deprived of control over the main means through which recoveries can be effected.

Vicious Circle Continues

These weaknesses have affected both the farmers and the co-operatives. For the farmer, it has generally meant continuation of the vicious circle of low income, low savings, low investment, low income. For the co-operatives, the problems of financially weak societies, limited turnover of business per society, dependence on government (or central banks) for loan funds, accumulation of overdue loans, have continued to persist. Thus, in Ceylon on 30 September 1962, 48.6 per cent of outstanding loans (for agricultural purposes) of the multi-purpose societies were overdue[3]. In the Philippines, the overdue loans of the Agricultural Credit and Co-operative Financing Administration (which finances the Farmers' Co-operative Marketing Associations) amounted to well over 80 per cent of the loans outstanding on 30 June, 1960. For recent years the figure for overdues is not available, but the loans outstanding in December 1963 did not differ materially from the corresponding figure for December 1961[4]. In India, at the end of June 1962, 24.5 per cent of the loans outstanding of agricultural credit societies were overdue. More significant, however, is the fact that out of 184,605 agricultural credit societies audited in 1960/61, 121,055 were in "C" category and 19,277 were in "D" and "E" categories[5]. (These "C", "D" and "E" category societies did not satisfy even certain minimum standards relating to the quality of management, maintenance of accounts, level of overdues, etc). In West Pakistan, two-fifths of the unlimited liability societies were reported to be defunct or almost defunct. Elsewhere, too, the position fits into this general pattern.

We have examined above at some length the problems of institutional credit in the agriculturally less advanced parts of Asia. But what is the position in the agriculturally advanced

parts of Asia? And what are their experiences that deserve to be taken note of?

To begin with, the primary society in these areas is of the multi-purpose limited liability type and combines credit with a number of supporting activities like provision of agricultural requisites and marketing of produce. Generally, the co-operative covers a distinct geographical area as for instance, a village in Japan[6], a township in Taiwan, and a county in Southern Korea. The average membership per society is also large, being around 600 in Japan, 2,500 in Taiwan, and 4,214 (per credit office) in Southern Korea. These societies cover almost the entire farm populations in these areas.

Multi-Purpose Societies

The co-operatives make available to the farmers the major part of their needs for short-term credit. Furthermore, the conditions for grant of credit are liberal and the procedures more simple and quick. Thus, within the credit limits established by a credit rating committee, loans are granted on a promissory note bearing one co-signature in Japan and two co-signatures in Taiwan. The time taken in obtaining a loan may vary from a few hours to a week. Moreover, the co-operatives also make available to the farmer the needed agricultural requisites (fertilizer, insecticides, feeds, etc). In Taiwan (and also to some extent in Southern Korea), supplies are handled by the co-operatives as agents of the Government, while in Japan these are purchased by the co-operatives on the basis of firm orders. In Japan, Taiwan, and, also to some extent, in Southern Korea, the co-operatives purchase the main crop — rice — from the farmer on behalf of the Government. In view of this link with marketing, recovery of short-term loans is not a problem here.

It should be noted that in Japan, in addition to the exclusive privilege of purchasing, on behalf of the Government, rice, wheat and barley under the price support programme, agricultural co-operatives have enjoyed, for several decades, the exclusive privilege of maintaining warehouses for storage of agricultural commodities. In Taiwan, only in areas where multi-purpose co-operatives do not have enough storage and milling capacity are private traders licensed to bridge the gap. Moreover, co-operatives are the only source through which fertilizer for rice production and livestock feed (beancake) are available to the farmer.

Link with Extension

An important feature of the situation in these countries is the very high demand by the farmers for agricultural requisite (fertilizer, insecticides, etc). Moreover, the inputs of these requisites have increased appreciably in the years following the end of the second world war and have contributed significantly to increases in yields per hectare. These high inputs reflect, among other things, the result of intensive efforts by governments (extending well over half a century) in the development of improved know-how as also its dissemination. Thus, in Japan, in the last quarter of the nineteenth century, a number of research institutes were established at the national level, and agricultural experiment stations were established at the prefectural level (corresponding to a district in India, Ceylon, etc). The experiment stations at the prefectural level had begun to recommend improved varieties of rice by 1905. And the new improved varieties were responsive to heavy inputs of fertilizer. Following the enactment in 1899 of the Agricultural Association Law, every village was required to set up an association for improving agricultural techniques[7]. In Taiwan, also, agricultural research and extension received special emphasis. In the years preceding the outbreak of the second world war, agricultural extension workers lived and worked in almost every village in collaboration with the local farmers' association. These field workers were guided and supported by many highly trained specialists attached to experiment stations, prefectural level offices of farmers' associations, and provincial government departments[8].

Since the farmers in these countries are used to heavy inputs of fertilizers, insecticides, etc, the nature of extension work is somewhat different from that of agriculturally less advanced countries. However, both in Japan and Taiwan, many of the multi-purpose co-operatives try to provide technical advice through their own staff who work closely with the government extension workers at the local level. Often special fees are collected by co-operatives for financing such services. In Southern Korea, co-operatives employ field workers trained in farm management to assist farmers in the preparation of annual production plans. Applications for loans have to be related to these plans.

Owing partly to increases in yields per hectare and partly to the fact that the farmer has an assured market for his main crop (in Japan guaranteed prices also increased), the incomes of farmers have tended to increase. This together with a variety of other factors, such as the ability of co-operatives to win the confidence of depositors, the competitive rates of interest offered as well as their efforts to encourage savings, have resulted in sharp increases in deposits. Thus, in Taiwan, deposits with primary co-operatives account for three-fourths of the working capital and the corresponding figure for Japan is four-fifths. Around two-thirds of the deposits in the former case are fixed-term deposits and the corresponding figure for Japan is around three-fifths.

Large Volume of Business

Some idea of the magnitude of their business activities can be formed from the fact that, in Japan, the average value of commodities marketed per society amounted to $182,000 in 1961 and the average value of supply business was around $88,100. Around 77 per cent of the supply business in Japan is accounted for by materials for production. In Taiwan, the average annual sale proceeds of a multi-purpose co-operative (farmers' association) amounted to $33,100 in 1962 (excluding business handled as agents of the Government). Furthermore, as agents of the Government, the multi-purpose co-operatives distribute every year to the farmers (as a barter loan) about 600,000 tons of fertilizer and sell about 100,000 tons of bean-cake. And they collect from the farmers, on behalf of the Government, about 600,000 tons of paddy every year. In Southern Korea, the multi-purpose co-operatives distributed on credit in 1962 (as agents of the Government) over a million tons of fertilizer, sold insecticides valued at over $2.6 million as well as farm implements, seeds, etc.

In view of their large membership and turnover of business, these co-operatives require sizeable staff. In Japan, an average multi-purpose co-operative has 1.2 directors (who receive some remuneration) and 12.8 other employees (including, if possible, a secretary, a treasurer and an adviser for guidance in production and home economics). In Taiwan, a multi-purpose co-operative (farmers' association) employs on an average 23.3 persons of which 5.1 are in the credit section,



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7.5 in marketing and supply sections, 1.4 in manager's office, 2.4 in administrative section, 4.1 in extension section, etc. Reflecting the combined results of efficient management and economic support provided by the governments, over 90 per cent of the multi-purpose co-operatives in Japan, 87 per cent in Taiwan, and 84 per cent in Southern Korea are reported to have made profit in a recent year.

One feature of the agricultural co-operative in these countries, which deserves special notice, is that they permit "non-farmers" (generally persons living in rural areas who derive less than 50 per cent of their incomes from farming) to join the co-operatives as "non-regular" or associate members. And subject to certain limitations[9], they can participate in the business activities (deposits, borrowing, etc), as well as management. Thus, in Japan, less than one-fourth of the directors can be non-regular members, while in Taiwan an associate member can only be appointed a supervisor or auditor. Another point worth noting here is that in Taiwan, most of the general managers of farmers' associations are associate members and have either served with the farmers' associations or have experience of managing other public bodies. This close association of the large majority of the people living in the rural areas under the aegis of co-operatives seems to have helped strengthen the societies, among other things, by bringing together talent of different types and also by helping mobilize the savings of all sections of the community. (In Japan, around one-fifth of the deposits are from non-regular members and the corresponding figure for Taiwan is over three-fifths).

Pointers Towards Action

What then are the lines along which action needs to be considered by the agriculturally less advanced countries? One thing which is clear from a review of the situation is that if co-operatives in these countries are to play an effective role in channelling agricultural credit, especially in the context of development programmes, a major effort is required. The effort has to be sufficiently broad-based to cover inter-related problems (economic, financial, organizational including training of personnel, policy problems, etc) and, at the same time, large enough to achieve any significant result. In view of the obvious difficulties involved in dealing adequately with all aspects of the matter in an article, it is proposed to highlight only a few of the important problems and to indicate the consideration or experiences that deserve attention in working out solutions to those problems.

To begin with, credit can play a dynamic role in helping bring about increases in productivity only when demand for new and improved inputs (fertilizer, insecticide, etc) has been built up and availability of credit facilitates their use. And the development of demand for improved inputs requires a well-organized extension service, working in close contact with the farmers and supported by specialists attached to regional agricultural experiment stations, to convincingly demonstrate to the farmers improved or new know how[10]. (Some idea of the intensity of work that might be required in this direction can be formed from the efforts made, in the earlier period, in Japan and Taiwan). These efforts to develop demand have to be supported by and co-ordinated with arrangements for the supply of adequate production credit as well as arrangements for the supply of agricultural requisites of the right type and quality.

Multi Purpose Societies Needed

In addition to the foregoing, a number of other considerations have to be kept in view. One is that, apart from providing to the farmer adequate and timely credit for production, his needs for essential consumption should also be covered. Second, as is being increasingly recognized, short-term credit for production (and essential consumption) ought to be available on the basis of "repaying capacity" of the farmer rather than on the basis of property owned. Third, institutional credit should cover as large a proportion of the rural population as possible. Fourth, primary lending institutions should be able to recover loans satisfactorily, if possible, through the sale proceeds of crops produced which constitute the main means of repayment. And fifth, the primary credit institutions should be able to mobilize rural savings to a greater extent than hitherto.

Keeping in view the considerations referred to above and the experience of the agriculturally advanced areas of Asia, one way of improving the institutional arrangements for channelling credit at the primary level would be to develop fair-sized multi-purpose co-operatives covering credit, marketing and supplies and working closely with extension services. The experience of the agriculturally advanced areas shows that fair-sized multi-purpose co-operatives have better chances of functioning as viable units. Their service record to the farmers has been quite satisfactory, and they have helped bring about increases in land productivity and incomes of farmers[11]. (An alternative is to have single-purpose societies dealing with credit, marketing and supply, and working in close co-ordination. However, in many countries one reason for weak primary societies is their small geographic and membership coverage, limited turnover of business, and lack of trained personnel. In some cases, this approach may raise the problem of making three types of societies viable. Furthermore, in practice, co-ordination between three separate societies may be more difficult).

Economic and Legal Environment

But assuming that steps are initiated to evolve an organizational framework for primary co-operatives which will be favourable to the functioning of viable and more efficient units, what other measures would be needed to enhance chances of success?

One is the need to ensure that co-operatives are developed under a favourable economic and legal environment. Judging from the experience of Japan and Taiwan, some measure of economic support can be very helpful, at least until the movement has acquired sufficient strength. In the preceding paragraphs, an idea has been given of the form of economic assistance provided to co-operatives in Japan and Taiwan. Suffice it to note here that in both cases: (a) the net income earned by co-operatives through services performed as agents of the government forms a very important part of their total net income; (b) in both cases the co-operatives have enjoyed for quite a while some exclusive privileges (e g maintaining of warehouses for storage of agricultural commodities); and (c) control over marketing of the main crop has minimized chances of default in repayment of crop production loans. While the precise form which economic support should take has necessarily to be determined in the light of the conditions prevailing in each country, it will be useful to keep in view the desirability of: (i) providing some assured business and income, at least

in the initial period; (ii) keeping down the risks associated with marketing and supply business through appropriate policies; and (iii) ensuring that the borrower does not find it easy to default in making repayment. A good safeguard against default in making repayment lies obviously in institutional 'control' over the marketing of produce, (the main means of repayment) and which can also help ensure a minimum price to the producer. However, legal safeguards should also be there to enable a co-operative to recover its dues from wilful defaulters, speedily and with the least expenditure.

Secondly, consideration needs to be given to the desirability of bringing into the co-operative fold (subject to certain safeguards) at least a limited number of "non-farmers" living in rural areas as "associate" or non regular members. In Japan, Taiwan and Southern Korea, such associate members are eligible for certain types of offices (e g supervisors, auditors or a limited number of directors). Their association with the co-operatives appears to have helped strengthen the societies through improving the available supervisory (or directional) talent and also through increasing the mobilization of savings

Thirdly, if co-operatives are to be of the multi-purpose type, handling on a sizeable scale, credit, supplies and marketing, then they need adequate staff conversant with organization and management, business practices and business economics as well as co-operative principles rather than persons who have had a broad type of education of a higher standard including principles of economics, co-operation (history, philosophy, etc.).

Managerial Personnel

Fourthly, since availability of competent "managerial personnel" is likely to be an important limiting factor to expansion of co-operatives as well as to their strengthening and revitalization, the feasibility of recruiting local personnel with an aptitude for and experience in handling business matters and giving them additional on-the-job training, including introduction to co-operative principles, could be considered. There need not be any prejudice against recruitment of "non-farmers", if they are likely to fulfil the needs. In Taiwan, for example, many of the managers of multi-purpose co-operatives are "non-farmers" often from the same county (district) in which the co-operative is located. And these co-operatives are quite successful not only in the business sense, but also from the point of view of services rendered to the members.

Finally, it would be useful in many cases to consider the desirability of having an institution of the co-operatives responsible for assisting in the task of improving the operational efficiency of co-operatives. To this end, it would undertake:

(i) studies of existing operational methods and procedures (at national and/or regional levels) in order to evolve improved methods and procedures:

(ii) make available to the co-operatives (on short-term basis — say, 4 to 8 weeks) trained personnel who would study on the spot the operational methods and procedures and problems of a co-operative, and suggest ways of effecting improvements: and

(iii) actually assist the employees of the co-operative in the adoption of the recommended practices and procedures.

Notes

[1] ECAFE/FAO Agriculture Division's study "Institutions for Agricultural Financing and Credit in Asia and the Far East", published as Part Two of FAO Report No 1793.

[2] Derived from the ECAFE/FAO study referred to earlier by assuming the size of average holding per borrowing member to be 2 hectares.

[3] Government of Ceylon: "Report on the Ceylon Co-operative Movement for 1961-62," page D 87.

[4] Central Bank of the Philippines, Manila, *Statistical Bulletin*, December 1963, page 123.

[5] Reserve Bank of India: "Statistical Statements relating to the Co-operative Movement in India, 1961-62".

[6] This was the position before the reorganization involving merger of the then existing villages to form larger administrative units. The aim now is to merge the existing multi-purpose co-operatives into a large society to serve the enlarged village.

[7] Japan FAO Association: "Agricultural Development in Modern Japan", pp 15-16.

[8] United Nations: "Community Development and Economic Development", Part II-B.

"A study of Farmers' Associations in Taiwan," pp. 32-33.

[9] These are designed primarily to prevent domination of co-operatives by "non-farmers".

[10] As is well-known, an important first step in this direction is the development of new crop varieties responsive to heavy inputs of fertilizer.

[11] In these areas, viability and efficiency of service to farmers appear to have been more important considerations in determining the size of a co-operative than ideological or sentimental considerations.

Agricultural Implements

THE Union Ministry of Industry and Supply has called upon the manufacturers of agricultural implements to take immediate steps to ensure that their products are made available to farmers at reasonable prices.

In a circular letter to all manufacturers of agricultural implements, the Ministry has stressed that the easy availability of such implements to the farmers at reasonable prices would help increase food production and bring down the prices of foodgrains and other agricultural commodities. The Ministry has urged that the manufacturers should make available implements to farmers through the authorised dealers and stockists at their published list prices and also ensure that the trade strictly adheres to these prices.

Suggesting periodical surprise checks by representatives of manufacturers, the Ministry has stressed that complaints received from the customers in this regard should be promptly enquired into and immediate steps taken against the concerned dealers including, if necessary, the cancellation of their agency. The Ministry has also called upon the producers to publicise their price lists and ensure prominent display of the lists at the premises of the dealers and stockists.

Around Bombay Markets

Reactionary Phase Ending

Thursday, Morning

DALAL STREET'S trading pattern last week, though still indecisive, indicated that the reactionary trend, which had been in evidence since about the end of August, had spent its force. It is difficult to say how the new upward move might progress, but the worst seems to be over. Early in the week, the market made a new low which took it extremely close to its July bottom. But the lowest prices recorded on October 14 were not seen again and the week ended with all-round moderate gains. The significance of the market's performance lies in the size of its recovery than in its ability to lift its head in face of certain international developments which sent a tremour through world stock markets. Dalal Street might not have much reason to feel uneasy over the labour victory in the U K but it will have to be conceded that the market showed unusual courage in standing up to the Kremlin shake-up and the successful explosion of the atom bomb by China, which can have a significant bearing on the international political situation.

Surprisingly enough, last week's recovery was led by Rayon shares which had been the weakest spot in the decline since August-end. Within a few days National Rayon shot up from Rs 342 to Rs 372 and Century rose from Rs 600 to Rs 622; the latest quotations are not much lower. Rayons improved even though the relief in excise duty on rayon yarn was regarded as inadequate—perhaps much less than what had been generally anticipated. While the spurt in National Rayon is to a large extent due to strong bull manipulation — the bears too had played havoc with Rayon shares for long — it is generally felt that with the end of uncertainty about excise duty, yarn off-take will pick up appreciably in the near future and that spinners will be able to dispose of their accumulated stocks without having to reduce their prices much further.

With corporate news continuing to be encouraging, the recovery on the stock market should gather momentum with the change in market psychology. Selective institutional support at this time can greatly help the process of recovery. Unfortunately, neither the Life Insurance Corporation nor the Unit Trust have ever paid much attention to the time factor. Operations well-timed can go a long way in toning up the stock market.

Cotton

Futures at New High

COTTON futures showed remarkable strength last week. The March contract which had touched a low of Rs 721.50 — the lowest level recorded so far — on October 6 was bid up to Rs 738.25 on October 21 — a new high for the season. Over the week, the contract showed a net gain of Rs 9 per 3 quintals. The recent spurt in futures has been due essentially to strong bull manipulation which has compelled bears to cover their sales. The apparent success in manipulation is more an indication of the skill and financial strength of the bull operators who are dominating the scene than of any change in the overall supply position of cotton. Though rumours about the damage to the Khandesh crop by pests have gained currency with the rise in prices, inquiries, with informed sources indicate that apprehensions about crop damage are highly exaggerated. The view is widely shared that the 1964-65 cotton crop is likely to be larger than 1963-64 harvest; the crop is now generally placed between 62 lakh bales and 64 lakh bales.

Spot houses reported some improvement in spinner inquiry during the week. Fairly good business was reported in Surti and Digvijay; mills appeared to have been encouraged to pick up cotton because of the substantial decline in prices over the past few weeks. Prices staged a modest recovery from the low levels registered recently. Few observers expect the recovery to be extended much farther. New crop arrivals are beginning to pick up; these have already gained considerable momentum in the Punjab. The flow of cotton in Berar and Khandesh is reported to be normal. In view of the comfortable supply position it seems unlikely that growers and merchants would risk accumulation of large stocks, especially when financial accommodation has become costlier.

The likely decline in cotton prices as a result of improved supply should be welcomed and New Delhi will be well-advised not to be taken in by any kind of agitation by farmers demanding higher prices for their produce. Indian cotton has since long lost the price advantage over foreign cottons and this has naturally affected the competitive position of the Indian cotton textile industry. Bengal Deshi prices hardened last week on upcountry mill buying. Export interest was not much, but the performance to-date is not poor. Sales of Bengal Deshi since September 1 are placed around 67,000 bales.

Oilseeds

Further Fall in Groundnut Oil

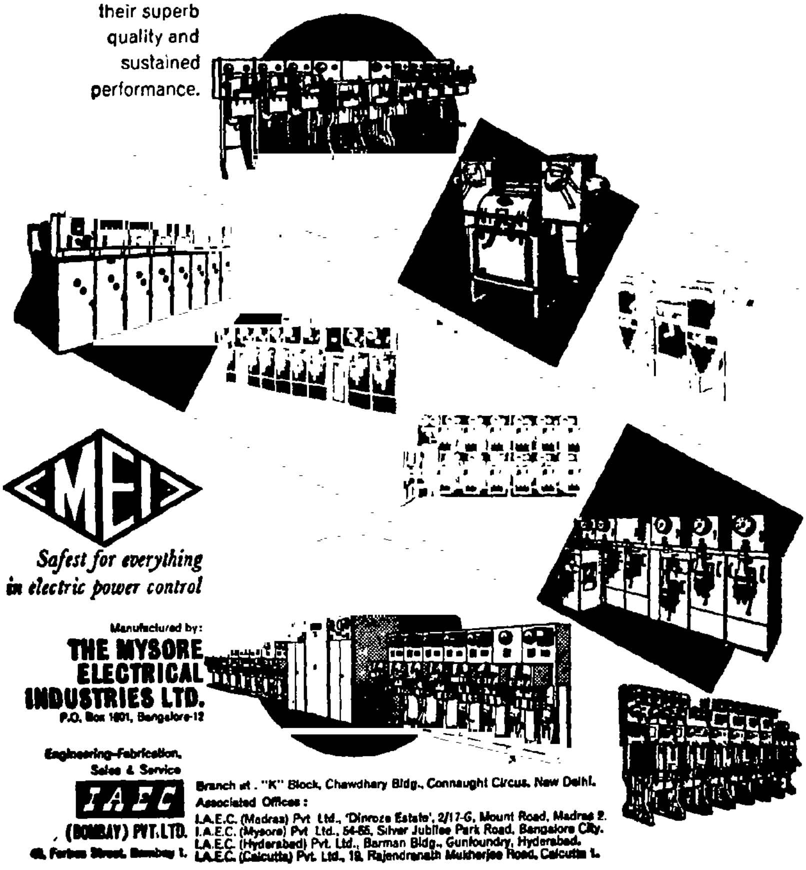
GROUNDNUT OIL in Bombay, which, not many weeks, was quoted at a fantastic price of Rs 3,300 (per tonne), could be had at around Rs 2,400 last week. During the same period, the price of groundnut ready has come down from Rs 77 to Rs 54 (per 50 kgs). Lest one is carried away by the recent sharp break in prices, it is necessary to bear in mind that, notwithstanding the recent fall, groundnut oil price is still on the very high side. On very few occasions in the past several years, has groundnut oil been quoted around Rs 2,400. There appears to be considerable scope for a further substantial decline in groundnut and groundnut oil prices. The new crop of groundnut is generally believed to be between 35 lakh tonnes and 40 lakh tonnes. The pressure of arrivals will be gaining momentum in course of time, depending also on the Gujarat Government's decision in respect of the lifting of the existing ban on the export of groundnut and groundnut oil outside the State. Soyabean oil from the U S will start arriving in India by about the end of November. And if all the 75,000 tonnes of soyabean oil that India will be getting under PL 480 arrives within the next two or three months it can have a significant impact on domestic prices of edible oils. Prices could come down very appreciably if the Government of India were to make an announcement that export of groundnut oil would not be permitted this season or that export would

be allowed only if domestic prices decline to a sufficiently low level. There is much to be said in favour of banning the export of groundnut oil and making good the shortfall through increased exports of the other less important vegetable oils through adequate incentives. *It is really surprising that the Government should not be giving proper attention to the selling of castor oil to the U S which,* until a few years ago, was the single biggest customer of Indian castor oil.

The Gujarat Government's policy in respect of groundnut and groundnut oil produced within the State has been severely criticised in informed circles. The stories that have been going round the market suggest that big fortunes have been made by certain interests on the disposal of groundnut oil stocks

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requisitioned by the Government. That the Government should have banned the export of oil while permitting the export of vanaspati, lends support to the popular view that the policy had been designed to benefit a leading manufacturer of vanaspati. An impartial inquiry into the whole affair could prove to be quite revealing. Agitation for the removal of ban on export of groundnut and groundnut oil has been growing. And since the time has now come for the marketing of the new crop, the Government will find it extremely difficult to justify the continuance of the ban any longer. Once, groundnuts start moving out of Gujarat, it is bound to result in a further decline in prices.

Despite the sharp break in spot prices, groundnut futures have eased only a little. After an early rise from Rs 95.75 to Rs 96.95, the January contract eased to Rs 94.85 but later rallied to finish at Rs 95.20 (per 100 kgs). Groundnut oil January eased from Rs 19.20 to Rs 19. Castor futures were irregular but subdued by persistent bull liquidation induced presumably by the weakness in groundnut. After moving down from Rs 184.37 to Rs 181.87 castor March recovered to Rs 183.75 but closed lower at Rs 182.87. Linseed March eased from Rs 40.44 to Rs 39.84 (per 50 kgs). Cottonseed January drifted idly between Rs 102.50 and Rs 101.25.

Export houses did not report any important business, except in groundnut extractions. Overseas interest seems to have revived a little with the decline in Indian prices. Locally, groundnut expellers and extractions, ready, have declined by between Rs 25 and 35 per tonne over the past week or so. Unconfirmed reports indicated that Russia had purchased further moderate quantity of castor oil. Linseed cake were neglected but cottonseed cake continued to evoke fair inquiries.

Money Market

Thursday, Morning

THE short-term money market was inclined to rule easier during the week. The inter-bank call money rate which declined from 2.5 per cent to 1.5 per cent during last week opened unchanged at 1.5 per cent on Monday but slipped to 1 per cent by Wednesday. Supply of funds was more than adequate with no keen demand. In Calcutta, the rate which was stiff at 5 per cent prior to the Puja holidays dropped to 1 per cent by Wednesday afternoon after reporting only few dealings in between. The demand for funds after the holidays was so poor that available funds went abegging. Rates in Madras continued nominal at 0.75 to 1 per cent throughout.

In fact, the call rates at this time of the year are even lower than those that prevailed a year ago. The scheduled banks' returns as on October 9, do not reflect signs of any pick-up in demand for funds. Bank credit hardly rose by Rs 1.69 crores. Aggregate deposits were only Rs 2.10 crores less. The Reserve Bank's statement as on October 16, shows a rise of Rs 12.70 crores in scheduled banks' balances and an increase of only Rs 2.03 crores in their borrowings. This again reflects the comfortable resources position of scheduled banks and the poor demand for funds. Treasury Bills tenders attracted Rs 4 crores this week though only Rs 2 crores were accepted. The rate of discount however was maintained at 2.500 per cent. Sales of intermediates between October 12 and October 17 fetched more at Rs 2.425 crores (Rs 1.74 crores). The prevailing conditions may be assumed to be the result of large inflow of funds, partly as a sequel to the stepping up of lending rates by banks. Though the coventional busy season is round the corner, how soon demand for funds will pick up and to what extent it will swell are a matter of speculation at this stage in view of the revised official credit control policy.

Active notes during the week ended October 16, expanded by Rs 2.57 crores which, however, was fully met by the Banking Department. Note issue was also less by Rs 30 lakhs, the issue department having absorbed that much from the Banking Department where all notes have fallen by Rs 2.88 crores. Foreign securities were unchanged while foreign balances improved by Rs 29 lakhs. Central Government's deposits were up by Rs 2.89 crores and State Governments' by Rs 2.46 crores. Total borrowings of Governments were higher by Rs 8.06 crores.

Business Notes

Praga Tools

THE predominantly State-owned (Government of India Rs 83.64 lakhs; Government of Andhra Pradesh Rs 47.57 lakhs; others Rs 19.33 lakhs) Praga Tools, having a share capital of Rs 150.54 lakhs and borrowings (from Government of India) of Rs 86.36 lakhs, earned a net profit of Rs 10.38 lakhs during the year ended March 31, 1964 on a working capital of Rs 113.01 lakhs.

Production of finished goods during the year was valued at Rs 105.68 lakhs being 41.4 per cent more than the previous year's amount of Rs 74.74 lakhs. Sales also were correspondingly higher at Rs 104.88 lakhs as against Rs 74.63 lakhs previously.

However, the profit had to be utilized to wipe out previous years' accumulated loss of Rs 3.72 lakhs and to write off Rs 5.27 lakhs paid as special terminal benefits to retrenched employees and left a balance of Rs 1.39 lakhs to be carried forward.

Various expansion plans are under way. The Tool and Cutter Grinder Project in collaboration with an English firm is now fully under way. The Drill Chuck Project commenced operation in April last. The Pratt Project is under negotiation to manufacture lathe chucks. The expansion of the Forge Shop has received the blessings of the Central Government which has released the requisite foreign exchange. The Works may begin operations by the end of the year.

It may be of interest to know that the activities of the Company are placed under the Ministry of Defence for the effective utilisation of its capacity for production of defence items.

Mysore Spg and Mfg

EVEN with the larger turnover of Rs 2.12 crores as against Rs 1.82 crores in the previous year, Mysore Spinning and Manufacturing Co's profit has shrunk from Rs 2.04 lakhs to Rs 5,672 before providing Rs 8.72 lakhs for depreciation. The Directors have transferred Rs 8.41 lakhs from General Reserve and availed of other sundry balances to provide for the above depreciation and pay preference dividend of Rs 33,527 at 4.5 per cent. The equity dividend has been passed over.

The Directors attribute this fall in profits to increased raw material and production costs. However, profitability in the current year is stated to have improved. The revised price control policy, introducing statutory control on 43 per cent of the mills' production excluding exports, and decontrol of some of the items constituting about 57 per cent of the production are ex-

pected to help the Company to achieve more favourable results than before.

The Mills are in the process of increasing their productive capacity by about 50 per cent by installing 288 automatic looms some of which have been commissioned already. Certain changes are also being made in the internal management of the Mills. All this is expected to show beneficial results in due course.

Assam Sillimanite

ASSAM Sillimanite has made fair progress during the year ended March 31, 1964. On the production side, 10,747 tonnes were raised at the mine compared with 8,337 tonnes in the previous year and sales of 9,142 tonnes out of this fetched Rs 35.25 lakhs as against Rs 27.66 lakhs realised last year for 7,732 tonnes. Bulk of the sales was effected outside India. The Company was able to put other minerals such as calcined and raw kyanite, Felspar, and pyrophyllite in the market which fetched Rs 3.99 lakhs. Realisation from sales of refractory products amounted to Rs 9.63 lakhs (Rs 8.06 lakhs). Thus, in all, sales brought in an income of Rs 48.87 lakhs compared with Rs 35.72 lakhs in the previous year. Pre-tax profit worked out at Rs 4.68 lakhs (Rs 4.31 lakhs). Income tax provision absorbed less at Rs 1.50 lakhs (Rs 2.18 lakhs). The Directors have proposed a dividend at 4 per cent (3 per cent) which will absorb Rs 2.76 lakhs (Rs 2.07 lakhs) and leave behind Rs 50,349 (Rs 8,756) to the next account.

The expansion of the Company's refractory project at Ranchi has been delayed unavoidably due to delay in obtaining requirements of cement and steel.

Chase Bright Steel

IMPROVED operating results are shown in the Fourth Annual Report of Chase Bright Steel for the year ended March 31, 1964. The Company has made a net profit of Rs 4.79 lakhs during the year as against Rs 4,217 in the previous year. Sales recorded a substantial rise from Rs 48.83 lakhs to Rs 80.29 lakhs. The Company was able to step up production during the year despite shortage of raw materials by importing materials under barter licences against export of minerals involving an extra cost of Rs 4.60 lakhs.

The Company was also able to make a small beginning in exports of its products for which a good demand is anticipated in the continent and the Middle East. The turnover is expected to increase further during the current year.

The sizeable profit enabled the Company to wipe out its previous debit balance of Rs 3.66 lakhs and to allocate Rs 1 lakh to development rebate reserve against an entitlement of Rs 4.59 lakhs. Arrears of depreciation still to be provided for till last year are estimated at Rs 7.75 lakhs. Accumulated cumulative preference dividend amounts to Rs 1.76 lakhs. The Company has a paid-up capital of Rs 60 lakhs and has shown Rs 1.72 lakhs under 'Miscellaneous Expenditure' not written off or adjusted. At this rate, it appears it may be some years before equity shareholders could expect a reasonable dividend.



THE GREAT EASTERN SHIPPING COMPANY LTD.

National Newsprint

THE year to March 31, 1964 was a year of record production for National Newsprint and Paper Mills. For the first time production exceeded the rated capacity of 30,000 tons and reached 30,078 tons being 3,563 tons more than in the previous year. The quality of the paper, particularly its shade, showed an improvement. Sales also rose from 26,675 tonnes to 30,338 tonnes and proceeds amounted to Rs 318.08 lakhs as against Rs 280.91 lakhs in 1962-63. The gross profit was higher by Rs 14.14 lakhs at Rs 95.99 lakhs, but the net profit was higher by only Rs 71,000 at Rs 50.90 lakhs, taxation provision having absorbed about Rs 20 lakhs. Including the amount of Rs 25 lakhs brought in from last account, the sum of Rs 76 lakhs available for distribution has been utilized to set aside Rs 30 lakhs to General Reserve, Rs 10 lakhs to Taxation Reserve and Rs 29.41 lakhs to pay a maiden dividend at 6 per cent and Rs 6.85 lakhs to carry to the next account.

The Company has plans to raise its production capacity from 30,000 tons to 75,000 tons and this project, involving a cost of about Rs 8 crores to be financed by the Company's own resources, has already been approved by the Central and Madhya Pradesh Governments who are the two principal shareholders of the Company.

Orient Paper Mills

DESPITE higher sales of finished goods aggregating Rs 11.32 crores (Rs 11.16 crores in the previous year) net realisations of Orient Paper Mills during the year ended March 31, 1964 fell from Rs 8.96 crores to Rs 8.85 crores. Pre-tax profit has declined from Rs 140.09 lakhs to Rs 123.59 lakhs. Production during the year was a little less than last year and cost of production recorded further rise due mainly to higher costs of chemicals, power and fuel, and higher salary and wages, interest charges, etc. The financial results have been to an extent satisfactorily maintained by better working efficiency of the mills.

Taxation provision has absorbed Rs 47 lakhs (nil) during the year and the balance of distributable profit has fallen from Rs 140.09 lakhs to Rs 76.59 lakhs. After allocating a sum of Rs 25 lakhs (Rs 15 lakhs) to General Reserve and Rs 75,000 (Rs 2.50 lakhs) to development rebate reserve, dividends have been maintained on the previous year's level, namely 7.86 per cent and 5.50 per cent on the two classes of preference shares and 20 per cent on ordinary shares. Dividends have absorbed Rs 50.91 lakhs (same).

Estrella Batteries

ESTRELLA Batteries has maintained its dividend at 10 per cent but has declared an additional 2 per cent as Silver Jubilee Bonus for the year ended March 31, 1964 (10 per cent + 1 per cent bonus in the previous year). Net profit of the Company after providing Rs 1.85 lakhs (Rs 2.11 lakhs) for depreciation and Rs 12.10 lakhs (Rs 14.18 lakhs) for taxation has slightly receded to Rs 7.44 lakhs from Rs 7.53 lakhs in 1962-63, although gross sales have yielded more at Rs 1.59 crores (Rs 1.49 crores). As dividend has absorbed more at Rs 2.98 lakhs (Rs 2.36 lakhs), the amount retained in business is lower at Rs 4.46 lakhs (Rs 5.17 lakhs). Amongst appropriations development rebate reserve got Rs 9,839 (Rs 42,057) and General Reserve Rs 3.35 lakhs (Rs 4.75 lakhs).

The Directors state that their negotiations for a foreign exchange loan from ICICI to import machinery for expanding the plant capacity by 25 million cells have been successful and the new equipments for which orders are being placed will be commissioned in the next financial year. The Government has also sanctioned an increase in the capacity of the Company's factory to manufacture dry batteries. The project when completed will increase the capacity of the factory from 35 million cells to 100 million cells. The Directors are hopeful that the mechanisation and expansion programme of the Company will go smoothly on account of the training which the Company's technicians have received in France recently.

American Refrigerator

AMERICAN Refrigerator Co has fared well during the year ended April 30, 1964. It has stepped up the dividend to 10 per cent from 5 per cent in 1962-63. The profits of the Company, which suffered a setback in 1962-63, lived up to the optimistic expectations of the Directors in 1963-64. Turnover increased to Rs 100.62 lakhs from Rs 85.31 lakhs and the net profits after providing depreciation and development rebate reserve rose from Rs 3.33 lakhs to Rs 9.68 lakhs. Taxation provision absorbed Rs 6 lakhs (Rs 2.40 lakhs); Rs 1.60 lakhs was taken to General Reserve and from the balance, including Rs 1,442 brought in from the previous year's account, Rs 2.06 lakhs (as against Rs 1.03 lakhs in the previous year) will be paid as dividends at 10 per cent and a sum of Rs 2,639 will be taken to the next account.

The Directors state that the Company will diversify its activies further and endeavour to step up its exports.

Oriental Power Cables

THE Third Annual Report of Oriental Power Cables for the year ended May 31, 1964 discloses that the Company has now commenced trial runs. The results are stated to be satisfactory and the Company has started booking orders from dealers and consumers. However the Directors are not hopeful of achieving the production target being unable to obtain sufficient licences for importing necessary raw materials.

The Accounts as at the end of the year show that including the previous loss of Rs 32,185 there is a total loss of Rs 91,385 to be carried forward to the next account. This is after transferring a sum of Rs 19.34 lakhs to "Expenditure during Construction Account", treated as an asset.

Tata Chemicals

TATA Chemicals has announced an increase in the equity dividend from Rs 1 to Rs 1.40 per share of Rs 10 for the year ended June 30, 1964, justifying the optimism in certain quarters. Net profit after providing for depreciation Rs 69.50 lakhs (Rs 44.18 lakhs), for taxation Rs 35.25 lakhs (Rs 10.40 lakhs) and for development rebate reserve Rs 10.88 lakhs (Rs 41.00 lakhs) has shown an improvement of Rs 19.98 lakhs at Rs 58.46 lakhs and this has enabled the Directors to recommend a higher dividend as above, even after taking Rs 11.85 lakhs (Rs 3.94 lakhs) to General Reserve.

Tube Products of India

TUBE Products of India, Madras, which already manufactures "Tru-Wel" ERW steel tubes in collaboration with Tube Products of England, has now commenced production of Air Heater Tubes for which the Company has in hand a substantial order.

Hindustan Lever

HINDUSTAN Lever has announced its decision to pay an interim dividend in respect of 1964 of 60 paise per share, subject to deduction of tax. This dividend will be payable on November 19, 1964 to shareholders registered in the Books of the Company at the close of business on November 4, 1964. The Transfer Books and the Register of Members of the Company will remain closed from November 6 to 18, 1964.

CURREN STATISTICS

Foreign Trade of India

PRINCIPAL EXPORTS

(Rs lakhs)

	July		April-July	
	1964	1963	1964	1963
Food	*2207.87*	*1992.13*	*7554.47*	*6813.00*
Live animals, chiefly for food	1.45	0.93	3.90	2.81
Meat and meat preparations	1.29	15.04	5.61	64.11
Dairy products, eggs and honey	0.08	0.03	0.39	0.30
Fish and fish preparations	45.40	47.90	166.92	159.13
Cereals and cereal preparations	4.77	1.93	25.98	8.41
Fruits and vegetables	358.33	297.44	1240.47	990.45
Sugar and sugar preparations	115.77	222.00	1462.19	1498.71
Coffee, tea, cocoa, spices and manufactures thereof	1362.36	1120.51	3430.30	3011.45
Coffee	121.55	70.64	663.88	329.67
Cocoa	0.55	0.29	2.79	4.06
Chocolate and chocolate preparations	0.86	–	2.42	0.57
Tea and mate	1134.33	942.49	2289.11	2281.79
Spices	105.07	107.08	472.10	395.35
Feeding stuff for animals	316.94	284.26	1210.89	1073.41
Miscellaneous food preparations	1.47	2.08	7.81	4.22
Beverages and tobacco	*260.74*	*339.81*	*1306.79*	*1199.82*
Beverages	1.20	-	1.37	0.27
Tobacco and tobacco manufactures	259.54	339.83	1305.41	1199.54
Crude materials, inedible, except fuels	*1010.99*	*1021.22*	*4482.33*	*4237.59*
Hides, skins and fur skins undressed	72.30	86.62	289.88	363.76
Oilseeds, oilnuts and oil kernels	13.78	20.08	160.55	119.92
Crude rubber, including synthetic and reclaimed	–	0.14	0.20	0.14
Wood, timber and cork	6.14	25.18	66.82	110.05
Pulp and waste paper	---	–	0.19	-
Textile fibres and waste	200.82	248.17	1041.53	1009.72
Silk	4.49	10.43	10.03	13.95
Wool and other animal hair	66.56	51.56	337.66	134.71
Cotton	107.18	143.64	522.39	643.06
Jute, including jute cuttings and waste	0.12	11.29	40.39	105.95
Vegetable fibres, except cotton and jute	15.87	22.57	99.90	89.11
Synthetic fibres	1.63	1.22	7.09	3.76
Crude fertilisers and crude minerals, excluding coal, petroleum, and precious stones	122.30	104.63	378.12	410.73
Fertilisers, crude	0.52	2.08	2.59	3.55
Crude minerals, excluding coal, petroleum, fertiliser materials and precious stones	121.77	102.55	375.61	407.17
Metalliferrous ores and metal scrap	395.92	356.89	1766.38	1501.49
Iron ore and concentrated	239.35	231.34	1152.93	1078.09
Iron and steel scrap	34.80	59.32	158.78	150.42
Ores of non-ferrous base metals and concentrates	119.27	65.88	444.32	271.47
Non-ferrous metal scrap	2.51	0.35	10.35	0.92
Animal and vegetable crude materials, inedible n e s	199.73	179.51	778.55	719.76
Crude animal materials, inedible n e s	56.53	54.16	216.61	172.69
Crude vegetable materials, inedible n e s	143.20	125.35	561.94	547.07
Mineral fuels, lubricants and related materials	*104.51*	*97.91*	*452.38*	*368.86*
Coal, coke and briquettes	36.79	14.15	142.35	81.84
Petroleum products	67.72	83.76	310.03	287.02
Animal and vegetable oils and fats	24.53	164.66	322.55	753.42
Chemicals	72.92	46.84	282.73	223.15
Chemical elements and compounds	17.15	6.43	53.43	50.15
Inorganic chemicals	9.17	2.41	32.74	12.85
Organic chemicals	7.98	4.01	20.69	37.30
Mineral tar and crude chemicals from coal, petroleum and natural gas	0.33	—	2.13	8.60
Dyeing, tanning and colouring materials	3.30	4.59	19.90	17.65
Medicinal and Pharmaceutical products	13.58	10.48	59.86	33.52
Essential oils, and perfume materials, toilet polishing and cleaning preparations	27.65	22.66	118.90	104.53
Fertilisers, manufactured	0.13	—	0.19	—
Explosives and miscellaneous chemical materials	10.77	2.68	28.31	8.68
Manufactured goods, classified chiefly by				

	July 1964	July 1963	April-July 1964	April-July 1963
materials	*2722.39*	*2488.13*	*11598.98*	*9838.62*
Leather, leather manufactured n e s and dressed furs	198.18	194.43	932.59	865.47
Rubber manufactures n e s	9.37	10.69	45.35	27.09
Wood and cork manufactures	2.18	0.66	10.88	2.85
Paper, paperboard and manufactures thereof	11.09	8.05	34.78	27.54
Textile yarn, fabrics, made-up articles and related products	2244.37	2095.56	9466.46	8217.43
Non-metallic mineral manufactures	13.36	9.60	67.74	35.00
Silver, platinum, gems and jewellery	104.45	89.34	497.35	464.73
Base metals	111.40	51.25	408.23	97.13
Iron and steel	104.01	16.49	372.78	40.96
Copper	5.65	3.05	21.52	9.02
Aluminium	0.86	30.97	8.04	46.11
Zinc	0.73	0.73	3.95	0.91
Tin	0.07	—	0.14	—
Manufactures of metals	27.99	28.52	135.58	101.36
Machinery and transport equipment	*71.57*	*52.71*	*263.01*	*187.99*
Machinery other than electric	36.02	31.57	113.20	87.21
Power generating	13.26	5.68	34.22	21.11
Agricultural	0.56	—	0.66	0.21
Office	5.06	0.60	12.44	1.19
Metal working	1.03	0.93	3.39	2.68
Mining, construction and other industrial	16.10	24.34	62.43	61.99
Electric machinery, apparatus and appliances	17.62	17.07	66.15	68.63
Transport equipment	17.92	4.06	83.66	32.16
Railway vehicles	0.62	—	3.81	0.16
Road motor vehicles	10.65	2.15	42.38	12.70
Aircraft	—	0.72	9.79	10.08
Ships and boats	—	—	0.19	0.28
Miscellaneous manufactured articles	*159.69*	*140.93*	*597.14*	*539.77*
Prefabricated buildings; sanitary, plumbing, heating and lighting fixtures, etc	3.00	3.17	11.21	9.34
Furniture and fixtures	1.63	1.33	7.81	6.48
Travel goods, handbags and similar articles	3.66	4.27	14.77	11.57
Clothing	26.85	26.52	96.06	143.80
Footwear	39.68	27.89	154.75	93.69
Professional, scientific and controlling instruments; photographic and optical goods, watches and clocks	26.03	25.12	88.06	76.80
Miscellaneous transactions and commodities, n e s	*31.34*	*19.01*	*145.21*	*116.42*
GRAND TOTAL	6668.79	6363.37	27009.54	24276.64

Source: Department of Commercial Intelligence and Statistics, Government of India.

BANKING RETURNS

(Rs crores)

Reserve Bank	Oct 16	Oct 9	Sep 18	Oct 18, '63
1 Note circulation	2437.93	2435.36	2389.81	2251.38
2 Rupee coins	105.69	105.85	107.96	120.65
3 Deposits				
(a) Central Govt	54.13	51.24	60.68	47.97
(b) Other Govts	15.66	13.20	13.68	14.80
(c) Banks	112.10	99.32	108.87	120.57
(d) Others	141.88	136.13	138.28	161.13
4 Foreign securities	85.46	85.46	85.46	92.46
5 Balance abroad	9.13	8.84	13.41	9.94
6 Rupee securities	2136.16	2136.30	2095.93	1939.31
7 Investments	107.30	107.53	104.22	236.79
8 Loans and Advances to Govts	67.52	65.57	46.44	63.48
9 Other loans and advances	167.87	169.11	162.43	138.79

Scheduled Banks	Oct 9	Oct 2	Sep 11	Oct 11, '63
1 Aggregate deposits (net)	2515.54	2517.64	2478.87	2216.07
Demand (net)	1162.31	1150.18	1122.71	962.80
Time (net)	1353.23	1367.46	1356.16	1253.27
2 Cash in Hand	61.76	58.86	64.03	56.98
3 Balance with Reserve Bank	94.68	96.98	96.95	75.20
4 (2)+(3) as % of (1)	6.22	6.19	6.49	5.96
5 Borrowings from Reserve Bank	1.91	0.65	1.95	1.94
(a) Against usance bills and/or promissory notes	0.01	0.01	0.20	—
(b) Others	1.90	0.64	1.75	1.94
6 Advances	1463.67	1462.84	1493.87	1246.51
(a) State Bank	310.26	311.45	322.28	236.60
(b) Others	1153.41	1151.48	1171.59	1009.91
7 Bills discounted				
(a) Inland	181.21	180.13	167.88	173.10
(b) Foreign	71.00	71.22	69.96	56.39
(c) Total	252.21	215.35	237.89	229.49
(i) State Bank	17.32	17.99	19.98	14.95
(ii) Others	234.89	233.36	217.86	214.54
8 (6)+(7) as % of (1)	68.21	68.09	69.86	66.60
9 Investment in Govt Securities	827.67	830.53	762.80	769.09
10 (9) as % of (1)	32.90	32.99	30.74	34.71

BOMBAY MONEY RATES

(per cent)

	Oct 9	Oct 2	Sept 11	Oct 11, '63
Call money from Banks	1.87	1.25	4.09	2.30
Deposits				
Seven days	—	—	3.00	3.00
Three months	—	—	—	3.50
Six months	4.33	3.75	3.75	3.75



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Postponed Again

THE Chief Ministers and Food Ministers of the States spent the best part of this week in New Delhi but have dispersed without taking a decision on food policy. The decision has now been postponed to the meeting of the AICC in Guntur next month. In the deliberations of the politicians striving to preserve narrow political and parochial advantages, there was little reflection of the months-long privation of the people, who are now fast approaching the limits of tolerance, as is evident from the frequency of police action against food mobs. In New Delhi, Food Minister Subramaniam was still explaining the implications of the Foodgrains Prices Committee's recommendations and assuring the State politicians that he was prepared to be guided by them. Even the Prime Minister's urgent exhortation to "resolve here and now in this conference that we will consider the whole problem on a national basis, and that if there is a danger or risk, we will face it" failed to carry conviction since the time for such exhortation was long ago; what the food situation has been crying out for is action by the Government

Food prices began to move up in April 1963, after the seasonal downturn in the early months of the year, and have continued to rise ever since. On October 3, 1964 the index number of wholesale prices of cereals was 152 compared with 118 a year ago. The rise since March 1963 has been almost 50 per cent.

A whole crop year has thus passed by and now we are on the verge of another and the Government still has no food policy for the country. The Chief Ministers of States waited more than a year after prices began to rise before "resolving" in June this year to have "a firm price policy for the whole country". But it took the Central Government another four months to take the next step. At last on the 13th of this month came the announcement of producers' prices of standard varieties of paddy, wheat and coarse grains for the 1964-65 season. It was also announced that the Government would evolve a three-tier price structure for rice by fixing statutorily ex-mill wholesale prices, wholesale prices at the consuming centres and retail prices. A similar scheme was to be evolved for other foodgrains also. The prices announced for rice, Subramaniam claimed, were such as to ensure to the producer the maximum possible prices, consistent with fair prices for consumers. What he did not say was how these prices were to be enforced. The enforcement machinery was to be announced after this week's conference of Chief Ministers and Food Ministers of States. And now the decision has been postponed once again.

Clearly, if the Government is serious about maintaining the prices which it has announced, it must prepare for two tasks: First, it will have to take on a large part of the responsibility for distributing foodgrains and, second, it will have to enforce some form of rationing on the bulk of the urban population.

At a press conference in Bombay some days ago, the President of the Federation of All-India Foodgrains Dealers' Associations claimed that the margins allowed to the trade under the prices fixed would not cover even the costs of the trade, not to talk of yielding a fair return, and stated plainly that unless either the producers' prices were lowered or the retail prices raised, private trade will not be able to function. While it remains to be seen how far the Government can succeed in making the trade operate on these allegedly

"uneconomic" margins with the help ot the extraordinary powers it proposes to assume to curb profiteering and hoarding, the Government will inevitably have to play a major role in distribution, involving purchases from the producer, storage, transport to the consuming centres as well as actual retail distribution. Further, whether the Government takes over distribution or it is left to private trade working within strict regulations, there can be no escape from rationing if prices have to be maintained at levels lower than those which will normally prevail. Since changes in prices adjust demand to supply in a free market, it follows that if prices are to be pegged at a level at which ordinarily demand will exceed supply, demand will have to be reduced by physical restriction of consumption.

If the Government is to be responsible for foodgrains distribution and if rationing becomes inevitable, the basic decisions relating to purchase from farmers, movement of grains between different parts of the country, as well as distribution to the consumers will necessarily have to be taken by the Central Government though, of course, the responsibility for carrying out these tasks will continue to be decentralised. This is precisely why any suggestion of rationing comes up against the opposition of some of the State Governments which fear that rationing and movement of grains under the Central Government's direction will move out of their States more foodgrains than they are prepared to allow. This fear is justified, of course, but then the very purpose of a national food policy is to distribute available supplies, wherever they originate, equitably all over the country.

It is evident that Food Minister Subramaniam has failed to persuade the States to view matters in this light. In New Delhi this week the Prime Minister himself told the States that national interests must determine decisions on the food problem and at its meeting on Monday the Congress Working Committee is also understood to have "generally favoured" rationing in the big cities. It now remains to be seen whether these new pressures will succeed in brow-beating the recalcitrant States into accepting a national food policy between now and the AICC session a week hence.

Saving South Rhodesia

TWO of the three territories which once constituted the Central African Federation have won independence the second, North Rhodesia, on last Saturday as Zambia while the white government of South Rhodesia, the third territory, has declared its determination to do the same "before Christmas". There is one significant difference, though. Zambia's independence was a further step in the release of the African continent from political bondage whereas the white South Rhodesians' demand for independence threatens to create a second South Africa. If anything, a white government has even less justification in S Rhodesia than in S Africa since whereas in the latter country the Africans outnumber the whites by seven to two, in S Rhodesia the proportion is actually eight to one!

Dr Kenneth Kaunda, Zambia's First President, may not be cast in the radical political mould of Nkrumah or Sekou Toure, but because of its geographical contiguity with Mozambique and Angola, Zambia may soon become a centre of nationalist activity against Portuguese imperialism and against the racialist Government of Verwoerd. What remains to be seen is whether S Rhodesia will be added to the Black Man's burden in Africa.

Whether it will be, appears to depend almost entirely on the actions of Britain's new Labour Government. For its part, the government of Ian Smith has left no one in doubt of its determination to win independence under a constitution which will preserve white hegemony in every form. If Britain does not play ball, Smith has threatened to declare S Rhodesia independent unilaterally. This is no idle threat and Prime Minister Harold Wilson realises this. He found it necessary this Tuesday to warn white Rhodesians that any step towards unilateral independence would be regarded as an "act of treason" by Whitehall.

To this warning, Ian Smith's reaction has been significantly belligerent. "We have decided emphatically" he declared, "that those who live here in this country will be the ones and the only ones who will have the right to make the decisions as far as this country is concerned". He certainly has adopted some very devious techniques to ascertain the wishes of the peopl of S Rhodesia. Last month he calle the chiefs of African tribes, all of ther in the pay of his Government, to secret conference and, after the meetin announced that the chiefs had expres ed themselves unreservedly in favour c independence. And now, on Novemb 5, he proposes to go through th motions of consulting public opinic once again with a referendum in whic 90 per cent of those eligible to vo will be whites. The referendum, lik the earlier conference of tribal chief will no doubt produce the desire affirmation of support for the gover ment and its policies.

Ian Smith is of course fooling n body, but the point is that if today l is able to pretend that he has the su port of the people and to threat unilateral independence, this is entire the result of the policies of the la Tory Government in Britain. Like tl economic crisis, S Rhodesia is a pa of Harold Wilson's messy inheritanc Though there never was any doul about Ian Smith's intentions, the Go ernment of Sir Alec Home handled tl situation in South Rhodesia with k gloves, pleading the technical impr priety of interfering in the territory internal affairs. In August when tl S Rhodesian government cracked dow on African nationalists and banned bo the African political parties the Briti Government did nothing except "wat the situation closely". Today the tw most important African leaders, Josh Nkomo and the Rev Ndabaningi S hole, are in prison and last week ev the British Commonwealth Secreta was refused permission to see them.

There can be no doubt therefore th if the Labour Government is to something effective about S Rhode it will have to make a clear break wi the tactics of its predecessor. Haro Wilson, judging by his statement Tuesday, is anxious to prevent Rhodesia from becoming another Africa. But how far will he go achieve this? He talked of the "di astrous damage on friendless Rhodesi as a result of political and econom boycott by Britain and the Commo wealth besides, of course, the Afric countries. But Ian Smith was quick reply that the threat of economic di aster did not frighten him, pointi out that that "since the end of tl Central African Federation the gra of economic development in Southe Rhodesia has gone up and up".

There is no reason to dismiss this

bluster. South Africa for one has successfully withstood numerous U N resolutions calling for universal boycott, and Ian Smith can be expected to gamble on his chances of survival, particularly since the alternative—an independent S Rhodesia dominated by Africans —is totally unacceptable to him and his party. Something more than threats of economic reprisal is therefore called for from Britain. With its record of use of British troops to suppress nationalist elements in its territories, as in Aden most recently, it would be ironical indeed if Britain now acts with less than the necessary firmness in a situation which, in the absence of such action, is so full of potential strife, suffering and injustice.

Harold Wilson must decide exactly how far he is prepared to go in an emergency to ensure that S Rhodesia enters independence under an equitable political system and make this clear to Ian Smith when he visits London next month armed with the verdict of his sham referendum.

Weekly Notes

Stateless No More

THE agreement reached on Thursday between the Prime Ministers of India and Ceylon, meeting in New Delhi, on the future status of the majority of the people of Indian origin in Ceylon, who are at present stateless, resolves a problem which has remained intractable for almost a quarter of a century. Representatives of India and Ceylon have carried on negotiations on this problem intermittently and Pandit Nehru himself had had talks with Mrs Bandaranaike as well as her predecessors. Though a solution eluded these efforts, they did pave the way to the success which has now been achieved by clarifying the respective stands of the two countries.

The stateless persons of Indian origin form almost ten per cent of Ceylon's total population, and a substantial part of the labour force of the tea and rubber plantations. Mostly from South India and Tamil-speaking, they migrated to Ceylon between 1850 and 1939, when migration from India was finally banned. The circumstances of their life in Ceylon were never particularly good, but in 1949 they were finally deprived of their citizenship, and were also left without the right to vote which they had enjoyed between 1931 and 1949. Having lived in Ceylon for generations, they naturally had come to regard the island as their home and saw no reason why they should be deported back to India.

As a result of successive rounds of negotiations, the problem had been reduced more or less purely to one of numbers. Out of the total population of Indian origin in Ceylon, the Government of Ceylon had up till now granted citizenship to 140,000 while the Government of India had agreed to take back 240,000. This left the overwhelming majority still stateless. What had made a settlement of the fate of these people so difficult was that the Ceylon Government's attitude to the problem was dominated by the internal politics of the country which had over the years assumed an increasingly communal and linguistic orientation. To the conflict between Sinhalese-speaking and Tamil-speaking Ceylonese citizens it was of crucial importance whether the stateless persons were given Ceylonese citizenship or not. If they were, the proportion of Tamil-speaking people in Ceylon's population would increase sharply, thereby greatly strengthening their demands in such matters as, for instance, recognition of Tamil as a national language. It has been the objective of successive Ceylonese Governments, therefore, to aim at a solution which would require them to accept as few of the stateless as possible. At one time Ceylon had even offered monetary incentives to those returning to India.

Thus the real bargaining at the negotiations just concluded was over the number of stateless persons India would accept back and the number whom Ceylon would grant citizenship. The Indian position, it was known, was that it would agree to the repatriation of 300,000 people at the most provided Ceylon accepted the rest as its citizens. Under the agreement that has been reached, India has agreed to accept 525,000 persons and Ceylon 300,000, leaving the fate of the remaining 150,000 persons to be decided at another meeting of the two Prime Ministers in Colombo early next year. This may represent some concessions by India, but considering the urgent need, on human grounds, to end the uncertainty which surrounded the future of the stateless, as well as the political advantages of better relations with Ceylon, the concessions appear to be more than justified.

It has been announced that the Government of India proposes to appoint a special officer to process and implement the agreement. No doubt a number of practical problems will have to be overcome in the process of repatriating such a large number of persons settled for so long in Ceylon. One of these will be the Ceylon Government's ban on Indian nationals taking out of the country assets worth more than Rs 75,000. The Indian Government has protested against this restriction in the past on the ground that it involves a discrimination against Indians since nationals of other countries are allowed to take out more than double this amount. It is to be hoped that in the interests of the speedy repatriation of those whom India has agreed to grant citizenship and considering the very valuable economic contribution of these people to Ceylon over many years, the Government of Ceylon will waive the restriction on the value of property brought out of the country in their case.

Indian Capital Abroad

An esteemed correspondent familiar with conditions in some African countries writes:

THE answer to the question whether anti Indian feeling in Africa would be heightened by Indian investment depends upon the region one is talking about. My feeling is that it would happen in East Africa, but not in West Africa. There is no settled Indian population in the West nor, for that matter, any European settlement. The reasons are somewhat complex, but the main ones seem to be that, from the very beginning, foreigners were not permitted to own land in Nigeria and the Southern part of the country had a bad reputation from the point of view of climate and diseases. Northern Nigeria was the happy hunting ground of Lord Lugard, who preserved it as a feudal museum.

Since it is generally known that foreigners in this region are transients and their numbers are very small, there has never been in Nigeria, and

West Africa generally, the kind of prejudice against foreign investment which is found, for instance, in East Africa, Burma, Ceylon, etc, where there are large settled foreign communities. Furthermore, in the case of Nigeria, since many of the Indians here are Sindhi merchants who keep themselves mobile, the local pressure is in the direction of making them invest genuinely in industrial enterprises.

As regards the question how Indian investment abroad would benefit India, as distinct from the Indian private investor, it all depends on the country chosen for investment. If it is one, such as Malaya or Nigeria, which has a fairly strong external payments position and is likely to remain free of exchange restrictions, the fact that Indian nationals are acquiring assets which in an emergency could be converted into free currency would be a good thing. Naturally, the benefit to India as a whole would arise only if the Indian parent company is compelled to disclose sufficient information to the Reserve Bank from time to time. (I have the impression that such disclosure is insufficient at present).

Whether private investment is desirable as opposed to Government aid raises many difficult issues. Here one enters into the realm of philosophical differences between those who believe one hundred per cent in private enterprise and those who do not. However, my own feeling is that a programme of Indian Government aid, backed up by loans which do not create as much local resentment as equity ownership by foreigners, would be in the best interest of India at the present time. Whether one goes the whole way in this matter or not, I am quite sure that unless the Indian Government co-ordinates the investment programme and keeps Indian private businessmen to a defined sphere, perhaps tied to the export of capital goods and a limited financial participation, there would be more trouble than gain for us in the long run from Indian investment in Africa.

There is at present a tremendous amount of competition among advanced Western Nations and Japan to get in on the ground floor with respect to investment in West Africa. These countries are at present in the stage of transition from providing suppliers' credits to making genuine equity investment. Furthermore, the great trading companies, of which Unilever in Nigeria is the prime example, have started shifting some of their trading profits to industrial ventures. Hence, Indian economic penetration by way of investment in Africa is not going to be easy. Our only asset is our genuine desire to teach all that we know to our African friends. As long as we stick to this and refrain from using economic strength to exploit anybody, our foreign policy objectives would be safe. The moment we begin to look like the Western or Japanese businessmen, all the goodwill we have at present will be lost. India is not yet really rich enough to invest abroad, whatever our private enterprise friends may say. Naturally, as things get difficult for them in India they look for new pastures abroad. But this is definitely one of the things on which private and public interests do not necessarily coincide.

Occam's Razor

ONE of the provisions of the Bill introduced last month to amend the Foreign Exchange Act has escaped the attention which it deserves. The new section 18A lays down that no foreign controlled company (whether registered in India or a branch) or firm can act in India as the agent for trading or commercial transactions or as technical or management adviser without the general or special permission of the Government or the Reserve Bank.

It is possible to make too much or too little of this amendment.

Ever since 1948, Government has, in general, opposed the coming in of new non-manufacturing foreign controlled enterprises and has also tried to pressurise established trading firms into manufacturing operations. The policy of treating each proposal on its merits has, nevertheless, allowed some new trading or service enterprises to get in and many of the older ones to continue practically undisturbed. The amendment does not prohibit such business altogether. In conventional style, it confers wider powers to collect more information on foreign controlled business activity and to regulate it more closely than was possible hitherto. The policy of opening the doors a little wider to foreign enterprise which the Finance Minister has been advocating and practising should have reference only to investment in certain lines of manufacturing activity; it is not meant to throw open the floodgates which always carries the danger of leaving much debris behind after the flood recedes.

There is another way of looking at the amendment. Is it a move to let in fresh commercial and professional enterprise under cover of individual permits? The chances are about even tha the Government has both the views in mind. The entry of new commercial and technical skills might help ton up marketing, management and technical consultancy services while at the same time some of the dead-wood could be lopped off.

The foreigner is understandably jumpy but everybody need not jump with him. Permits are wonderful devices which cut both ways.

China's Bomb and Disarmament

HOMI BHABHA'S radio broadcast on nuclear disarmament on last Saturday, U N Day, was a queer mixture of sound sense and gross oversimplification. Borrowing figures from an American paper on use of atomic explosions for excavation for water diversion, submitted to last month's conference on peaceful uses of atomic energy in Geneva, Bhabha told listeners that an atom bomb of the same potency as the one used in Hiroshima—that is, a 10-kiloton bomb—would cost just Rs 17.5 lakhs to make. And a vastly more powerful one, a two-megaton bomb, could be made for Rs 30 lakhs. Further, a country could build up a respectable nuclear stockpile of 50 ten-kiloton bombs for less than Rs 10 crores and a formidable arsenal of 50 two-megaton bombs for Rs 15 crores, or about 2 per cent of India's current annual defence outlay.

One does not have to be an atomic scientist to say that these figures are meaningless. Rs 17 lakhs, or for that matter Rs 170 lakhs or Rs 1,700 lakhs, do not give even an idea of the cost of a nuclear bomb programme. Actually, the costs of creating the initial facilities and of continued research and experimentation which is the unavoidable concomitant of nuclear power status are still near astronomical, true though it may be that the advance and dispersion of knowledge now enable aspirants to short circuit many stages in the development of a nuclear bomb and to save substantially on the figure of $2,000 million which is an estimate of what it cost the United States to build the Hiroshima bomb in 1945.

However, Bhabha's suggestion that a number of countries can become nuclear powers if they set their hearts on it is valid and important, amazingly superficial though his cost estimates are. The proportion of any country's resources which can be diverted for a defence build-up is a matter of political decision and the upper limits can be stretched considerably. As for the technical know-how, a number of countries, in-

cluding India, could develop it with concentrated effort over months rather than years—18 months is the figure Bhabha has been freely quoting for India. Finally, plutonium from nuclear power reactors provides the nuclear material though facilities for producing uranium 235—which China appears to have—are still exhorbitantly expensive and technologically difficult to build.

Thus, given the political motivation, a number of countries can develop nuclear devices. Of course, it will be years before they can be on par with the two nuclear super-powers, but the head-on start which the United States and the Soviet Union have had on the rest of the world will not deter new nuclear aspirants; rather the monopoly of nuclear weapons by a few countries provides the rationale for other countries trying to become nuclear powers themselves.

That was Bhabha's point. Unless the countries which possess nuclear weapons take steps to give them up, there will be a compelling reason for others to develop similar weapons. This is exactly what China—and France—has been saying. In China's case the hostility of the United States, which refuses even to recognise the existence of the People's Republic, gives a special edge to her need for nuclear weapons. As the rethinking in India sparked by China's nuclear explosion demonstrates, test ban treaties or even the good intentions of countries are no guarantee against the spread of nuclear weapons. Circumstances may confront any country with a choice between being forced into a position of dependence on one of the existing nuclear powers—though, as Cuba realised two years ago, even such dependence affords only imperfect protection—and trying to develop its own nuclear defence. Which country can be blamed if it chooses the latter alternative?

The ball is thus with the nuclear powers. If the spread of nuclear weapons is to be prevented—and there is no question that it needs to be—the nuclear powers must move speedily towards disarmament. In any case, China's achievement has demonstrated that they cannot hope to preserve their monopoly of nuclear power for any length of time.

Barking Up the Wrong Tree

THAT New Delhi is still bankrupt of solutions to the sugar problem is evident from the recent recommendations of the Sen Commission as well as the policy decisions of the Union Government. Briefly restated the problem is that the sugar, *khandsari* and *gur* industries compete for their common raw material—sugarcane. Of the three industries only sugar is sufficiently large and compact to be easily taxed and controlled. The Government has imposed a heavy excise duty (about 30 per cent of the end price) and in order to appease the urban population (who are the main consumers of sugar) introduced a rigid price control. An unforeseen and undesirable result of these impositions is the gradual whittling away of the industry's competitive position vis-a-vis the *gur* and *khandsari* industries; at prevailing prices the sugar manufacturer can afford to pay approximately Rs 50 to Rs 55 per ton of sugar-cane while the *gur* manufacturer can pay Rs 70 to Rs 80.

This imbalance has persisted over the last two years, with the result that the sugar industry has consistently produced less than its capacity. The Government expected a production of 3.3 million tons last year and the industry produced 2.5 million tons, the Government expects 3.3 million tons this year but the industry is unlikely to produce more than 2.9 million tons. Consumption meanwhile continues to rise by at least 100,000 tons per year and it could rise by even more.

The Sen Commission's suggestion is basically to reduce the competitive power of the *gur* industry by imposing price control; the suggestion, while admirable in theory, is totally impractical as *gur* is manufactured by a large number of small farmers whose stocks cannot be physically controlled; it is a pity that the Sen Commission from whom so much was expected should have come out with so sterile a recommendation.

Finding itself unable to implement the Sen Commission's recommendation, the Government has turned back to variations of an old formula of giving rebates in excise duty. The first incentive they have come out with is a 50 per cent rebate on all production in excess of the 1962 production in October and November. This incentive is so nominal that not even the Government expects much increase in production during these two months. Further incentives have not yet been announced but it is understood that there will be further, even more complicated, incentives for excess production in the remaining months.

The situation, however, will not improve with such tinkering. The gap between the *gur* and sugar industries' competitive positions is far too wide to be so quickly bridged. If it is accepted that the *gur* industry cannot be controlled the only solution is to free the sugar industry to enable it to compete. There is a dichotomy in the Government's attitude towards sugar; if it is an essential foodstuff then there can be no grounds for imposing heavy indirect taxes on it; no similar taxes are imposed on foodgrains, rice, etc. If the excise duty on sugar was removed it would certainly be able to compete for cane against *gur* and *khandsari*. However, the Government gets over Rs 80 crores in excise duty from sugar and it is unlikely to let go this revenue on the strength of academic arguments about essential and inessential foodstuffs.

By the same token, however, the Government must recognise that sugar is not such a basic food as to merit rigid price control. It is wrong to assume that sugar prices affect the bulk of the population, because the bulk eats not sugar but *gur*. India consumes approximately 4 million tons of gur against 2.5 million tons of sugar, and besides *gur* is consumed by the poorer classes while sugar is mainly consumed by the comparatively well-to-do. There is no reason why sugar prices should not be raised substantially to enable the industry to compete with the *gur* industry. If the intention is to prevent mill-owners from making a profit, the minimum cane price can be raised to Rs 65/70 and sugar prices can be fixed on the basis of a more realistic cane price.

All these are, of course, short-term solutions; the long-term solution, as has been often stressed in these columns, lies in raising cane yield from the present low level of 10 tons an acre to at least 15 to 20 tons. This should be possible if the Government takes steps to ensure that fertilisers and credit are available to the sugar-cane cultivator. The sugar factories could be used to administer credits in their zones. The solution is simpler than the Sen Commission imagines.

Aarey and 'Outside' Milk

WILL Bombay citizens be asked to pay more for their milk from the Government Milk Supply Scheme? Judging by recent developments in the Aarey Milk Colony an eight to ten per cent increase may well be on the cards.

About a month ago the Aarey Milk Producers' Association, which supplies about 40 per cent of aarey's milk, asked for an increase in the price paid to it. Such an increase, the Association claimed, was necessary to ensure for its members a 15 per cent return. At that time the Director of the Milk Scheme had rejected the demand, maintaining that a 10 per cent profit margin was reasonable enough. He supported this contention by quoting the unanimous verdict of an expert committee, with two representatives of the cattle-owners on it, which had examined the question recently. The committee had worked out the producer's prices for milk after taking into account all items of costs, he claimed.

After this interchange it was expected that the Government would be firm and reject the milk producers' demands. But no; for unknown reasons the Government has now conceded an increase of 12 P per litre, raising the producers' price from 94 P to 104 P per litre. When the milk suppliers were paid 94 P per litre, the sale price to consumers was 104 P. If this margin between cost and sale price is now to be maintained, the consumer will have to pay Rs 1.16, which would mean increase of nearly 10 per cent.

As it is, Bombay's milk prices are high compared to those in other major cities. In Delhi, for instance, milk prices are about 30 per cent lower. This is no doubt because the cost to the Scheme of milk supplied by its contractors is high. And since the producers' price is based on a cost plus formula worked out by an expert committee, the presumption is that the cost of production of milk in Bombay is high. This is underlined by the fact that the Kaira District Milk Producers' Union, Anand, which supplies about 40 per cent of Aarey's milk (about 100,000 litres a day), does so at 79 P (f o r Bombay) or about 25 per cent cheaper than Aarey's 'captive' suppliers. Another factor which keeps down the consumer prices is the cheap supply of imported skimmed milk on which aarey is said to make a profit of 100 per cent. The supplies from Anand and the cheap imported skimmed milk thus help to hide the cost of milk from Aarey's own cattle concentration.

Against this background it is surpr[illegible]ing to find that there are power[illegible] pressures working on the Governm[illegible] seeking to compel Aarey to cut do[illegible] its intake of milk from Anand. E[illegible] the Estimates Committee of the Ma[illegible]rashtra Assembly has advised that [illegible] Milk Supply Scheme's "precarious [illegible]pendence" on "outside" (sic) sour[illegible] of supply should be reduced as soon [illegible] possible. And this just when it [illegible] known that with the expansion of [illegible] plants at Anand and by bringing m[illegible] cooperatives within its fold, the Ka[illegible] Union will be in a position to dou[illegible] its supply of milk to Aarey, fr[illegible] 100,000 litres to 200,000 litres a day.

Considering the difference in [illegible] price of milk from Anand and fr[illegible] Aarey's own sources and Aarey's [illegible]ability to meet Bombay's demand [illegible] milk—it was announced some t[illegible] back that no fresh coupons would [illegible] issued for Aarey milk—there appe[illegible] to be no justification for Aarey r[illegible] accepting all the milk that Anand c[illegible] supply. If there is, the Bomb[illegible] citizen has to be told what it is.

From the London End

The First 100 Days

A CLEAR indication that, undeterred by its small majority, the Labour Government is determined to govern decisively, is obtained by the economic measures announced only 11 days after the Government took office. These involve bold and decisive moves which, though neither startling nor ingenious, are at least a pointer that the Government does not intend to wait too long to deal with the very serious economic position that the country is now facing. It is interesting to note that, true to Conservative form, Maudling has said that had he been in Callaghan's position, he might well have waited another month or two before taking any such measures.

The latest figures issued by the Government suggest that the overall payments deficit is going to be as high as between £700 and £800 million—even higher than the gloomy forecast made some time ago by the National Institute. Something has to be done to stop the rot engendered by, among other things, the continuing increase of imports in the face of declining exports. One refreshing factor of the new measures is that they definitely mark the end of the old "stop-go" system—no damper is to be put on the U K home economy; instead direct measures are to be taken to restrict imports and encourage exports. The main immediate measures involve a levy of 15 per cent on all imports, other than foodstuffs, basic raw materials and unmanufactured tobacco, and to encourage exports, tax relief measures for exporters and improvements in export credit facilities. The longer term measures include immediate action to establish an incomes policy and a price review body. Incidentally, it is interesting to note that the National Incomes Commission will be killed at once. The Trade Unions have always refused to have anything to do with it, and no-one will really regret its departure. While the future of "Neddy" has not been finally worked out, it looks as if the Economic Section of the Council's office may be transferred to the Ministry of Economic Affairs and the network of "little Neddys"—committees established in the past year to represent various industries and form a link with "Neddy"—may also be controlled through the Ministry of Economic Affairs.

The Government is determined to have firm hold on all the reins t[illegible] guide the economy, and sees the fut[illegible] role of "Neddy" as a critical watchd[illegible] rather than a planning organisati[illegible] This was made plain both to Tra[illegible] Union leaders and to employers' [illegible]presentatives who had separate meetin[illegible] with Wilson and the five Ministers co[illegible]cerned with economic matters on [illegible] day the White Paper was released.

A careful costing of the social p[illegible]grammes is to be announced in [illegible] Queen's speech; other measures incl[illegible] a strict review of Government exp[illegible]diture, including an urgent re-exami[illegible]tion of the Concord supersonic airlin[illegible] and consultations with the Internati[illegible]al Monetary Fund on Britain's use [illegible] its drawing rights.

A whole series of measures is to [illegible] set in motion to reduce costs and [illegible]crease efficiency in industry. These [illegible]clude the formation of a new price [illegible]view body to examine price increa[illegible] in the public interest, an improveme[illegible] in the pay and conditions of work[illegible] changing jobs, a drive to set up imp[illegible] saving industry, and a tougher pol[illegible] to encourage growth in the under-e[illegible]ployed areas of the U K.

More long-term measures to encourage exports include a thorough survey of export credits, the export promotion services of the Board of Trade and the opportunities for encouraging more exports from the medium-sized company through the formation of consortia. In addition, a Commonwealth Export Council is to be set up.

But to return to the more immediate measures. The 15 per cent surcharge on imports is to take effect immediately, and it has been stressed that it is "strictly temporary". The imports in question are running at £1,350 million a year, and the Government hope that this will be reduced by £200 million by the new measures. Broadly speaking, the average of the U K's external tariff on manufactures has been doubled from 15 per cent to 30 per cent. An interesting feature of these surcharges is that they are completely non-discriminatory and will apply equally to imports from all countries—including Commonwealth countries.

Impact on Commonwealth

How will these surcharges affect trade with different areas? Since foodstuffs, raw materials, tobacco and certain other products are exempted, it means that the charge will fall with different weight on imports from different groups of countries. It has been anticipated that the Common Market countries will be the most affected, as 57 per cent of imports from the Common Market will be touched. As far as the E F T A countries are concerned, 36 per cent of imports from this area will be affected, while 48 per cent of imports from the U S and 13 per cent of imports from Commonwealth countries will be affected.

How will these import surcharges affect imports from India? Based on a quick look at the figures for the first eight months of the year, it appears likely that approximately one-sixth of Britain's imports from India will be affected. They will include such items as leather kips, all textiles, carpets, jute goods, essential oils and engineering goods. Although the textile industries in this country have been slow to react to the news of the 15 per cent surcharge, many Lancashire cloth producers, who claim that they have been hard pressed by low-cost foreign competition, believe that they will benefit from an ill wind. In Bradford and Belfast, textile firms facing competition from the Far East believe that the surcharge will be a favourable factor, but importers of yarn and cloth for finishing will have to pass on the surcharge to the consumer.

Since the surcharge is to be introduced straight away, large quantities of goods already ordered will cost buyers more than they had expected to pay, and if the goods are not already in transit, efforts may be made to delay their shipment, if not to cancel the orders.

While it is perfectly understandable that, in the interests of speed and simplicity, the Government has chosen to restrict imports by imposing surcharges, this step is formally against G A T T rules which allow import restrictions, but only in the form of quotas. However, a tariff surcharge is easy to introduce and has the advantage of being non-discriminatory. Import quotas are too arbitrary and inelastic besides being complicated to administer.

In a Press Conference, George Brown and Callaghan pointed out that although the Government had had no prior consultation with Commonwealth Governments about the proposed action, communication was made to them as soon as possible. They pointed out that they had special regard to Commonwealth interests, and in this matter quantitative restrictions would have hit them more. By excluding foodstuffs, raw materials, processed foodstuffs and tobacco, they believed they had got about the right balance.

What about Defence Expenditure?

One of the omissions in the present measures is that no direct reference has been made to the problem of Britain's overseas defence expenditure (one of the biggest debit items in Britain's balance sheet), or to the capital drain, i e, the outflow of investment finance. It is true that Government spending is being scrutinized, not only to see what priorities need changing, but to give rather more elbow-room in the economy. Does it mean that the Labour Party intends to cut spending on overseas bases? The impact of this could be quite dramatic. Nor has any reference so far been made to the possibility of discouraging the outflow of long-term capital abroad. This outflow has contributed very heavily—between one-third and one-half—to the U K's huge balance of payments deficit in 1964.

The new system of export rebates which have been introduced, represent the indirect taxes currently paid in the U K by a British exporter, mainly duties on oil, petrol and vehicle licences. The value of this rebate will vary between 1 per cent and 3 per cent of the export value, but the average will be close to 1½ per cent. The cost of the export concession is expected to be £70 million; the revenue from import duties will be about £170 million. Thus, Exchequer revenue will increase by roughly £100 million. The proposed tax reliefs for exporters are permissible under GATT rules. While the measures taken by the Government are emergency ones to deal with the present balance of payments, the Government regards its long-term plans to stimulate exports as being more important than the emergency measures, and one of the purposes of Wilson's broadcast was to brace the country for a much stronger effort to increase exports. The temporary surcharge was introduced principally to goods which could really be manufactured in Britain itself. But there is no attempt to molly coddle British exporters who must, as quickly as possible, modernise and become competitive, and this is the reason for the new Ministry of Economic Affairs and the new Ministry of Technology.

No Retaliation Likely

The general reaction to these measures has been a recognition that Britain was really faced with a very serious situation, and some measures had to be taken and taken quickly. There is a certain amount of relief that the measures are not more damaging, and although the import surcharges are painful, particularly to the Common Market and EFTA countries, there is unlikely to be much retaliatory action, unless, of course, the surcharges prove to be more than temporary. Indeed, other countries have not retaliated against the measures taken in countries like Canada, Japan and Italy to put the brake on imports during the past year or two.

It is the size of Britain's trade gap rather than the fact that the country is passing through just another periodic payments crisis, which is likely to make other countries accept these measures, however reluctantly, though Britain's major trading partners and GATT are unlikely to welcome them. The re-emphasis, on the other hand, of the strength of sterling and the categorical rejection of devaluation has been well received in financial circles abroad. The fact that the Government has not hesitated to take firm, indeed unpopular, action to deal with the country's problem is a refreshing change from the stagnation and apathy which marked Tory rule.



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EH. G. 15

In the Shadow of the Bomb

Romesh Thapar

WHILE it is true that all thinking in India is being, or is likely to be, conditioned by the nuclear device China has exploded at Lop Nor, and also the changes in the Soviet Union, the uncomfortable feeling persists that we are unable to adjust speedily enough to the changed situation. Partly, this is due to the demands which a fast deteriorating economic situation is making upon our time and energy. And, partly, it is the result of our inability to correlate the answers to the several problems which have suddenly made nonsense of the cosy platitudes we have been relying on.

Shastri's Heavy Burden

Prime Minister Shastri, despite his inclination to rely on the home-work of bureaucrats, has been under heavy strain during the last week. He had to decide how far he would go in backing Food Minister Subramaniam against the States' Chief Ministers who were fearful of introducing a rationing system in the main cities. He was, in the meantime, discussing with a Ceylonese delegation headed by Mrs Bandaranaike how many stateless Indians he was prepared to take back from that island. He was also trying to find time for talks on India's nuclear plans, talks dependent on our assessment of Chinese and Soviet intentions.

To top it off, Mboya in East Africa was threatening the Indians—and an illmannered Ambassador from the Lebanon, encouraged by the politeness of the External Affairs Ministry, was busy trying to give Indo-Arab relations a painful twist. A heavy week. Nobody could envy Shastri his plateful of troubles.

If only we had an objective towards which we could move, these crises could be handled in perspective, with confidence. But we progress by hunches, and hunches based upon very limited research and study. The bureaucrats, who seem to be doing the leading these days, are the worst offenders. They are cynical, old fashioned in thought and method, unable to stir beyond the sphere of their own self-interest. A very difficult business, trying to rule India today!

Take the bomb which was triggered in Sinkiang. There is logic in China's quest for nuclear status. Does the same logic apply to India? Is the threat military, and do we have to respond by detonating our own device? Will such an effort have an impact on our defence potential, or is the demand for an Indian bomb dictated by political calculations? How far will China go to provide her new-found nuclear expertise to the underdeveloped, like the UAR and Indonesia? In such a situation, with China offering her nuclear knowhow, should we surmise that the already existing nuclear powers would do likewise. Does India need a bomb, or has she to lead a campaign to create an international pool of nuclear weapons and materials under an UN agency which guarantees the security of the non-nuclear nations? Should India work at both levels, control and manufacture of nuclear power? Is this realistic? The answers have to be found.

Over-Simplified Equation

The dialogue on the bomb very often boils down to an over-simplified equation: Is India to be the core of a power system or an appendage of such a system? This is an old theme with a new decorative facade. We are asked to do what the Soviet Union and China have done in a short span of years. No mention is made of the political and economic techniques or that the advance was a forced march under the whip lash of a dedicated communist cadre. To indulge in this peripheral talk is to bring democracy and dissent into serious trouble. So we are asked to forget the consequences and to get moving. Think big. Think powerfully. There's nothing to lose, but the peace of the grave. And even Gandhi preferred anarchy to that.

The business of mobilising a nation becomes rather simple at this level. Rapidly, nuclear-inspired, we create an image of ourselves which inevitably must have heavy Hindu overtones. A tremendous force of public opinion is built to permit the existing elite to mobilise and commandeer the people, chaining them to the wheels of production. The country is opened up to foreign freebooters who appreciate the new image, the new dynamism. Bomb or no bomb, India could in this manner become the core of a power system. But an unhealthy, festering, fascist core.

There is the other way, the way we have tried unsuccessfully to chart. Unsuccessfully, because we have reached a stage where several layers of vested interest have to be removed to make possible further advance and we are reluctant to perform the operation. Whether it is the antiquated structure of land relations which deny us food or the legalised concentration of industrial and financial power which prevents the flow of resources and talent into those fields which give a nation muscle or the inhibitions of caste and community which block free communication between the peoples and atomise their will to triumph in dignity, the fact remains that it is within our democratic power to wrest the initiative from those who would paralyse us and then seek to un-paralyse us with the slogans of the revivalists and chauvinists.

It may be that it is not possible in this era of emancipation to remove these blockages through the democratic process. True we have not tried hard enough. But, surely, the possession of a nuclear weapon does not give us the key to the future. The key lies elsewhere. Or as Shastri told the Chief Ministers, 'Our strength even in relation to externals lies in what our real strength is within.' Yet, it is the *sordid matter of making the bomb that* will dominate the debate during the next few months—even though only a handful really know the facts pertaining to the debate.

Cheap Bombs

Dr Bhabha tempts us with the idea that we can produce the bomb within eighteen months. He has even priced the bomb—just 17 lakhs of rupees, cheaper than one of those Boeings we take little notice of. Indeed, so cheap is our bomb that Commerce Minister Manubhai Shah could be forgiven for toying with the idea of a new export drive! However, we would like to know who is going to check these budgetings of the Atomic Energy Commission? Moreover, is it possible to prevent the escalation of costs once the programme is under way? A failure here, and a failure there, could put us in a situation where we have sacrificed a whole five-year plan, possibly two.

In other words, the sooner policy-

makers in the Capital purge themselves of the thought that the bomb (atom or hydrogen!) could divert us like the proverbial circus, or that its detonation on the eve of the next elections would ensure a smashing victory for the ruling party at the polls, the better for all concerned. A bomb held by a beggar does not make him king when many others have more bombs than he and the capacity to deliver them where they hurt most.

For India to produce a bomb in three months or thirty would be of little consequence, militarily or politically. But if India were actively to organise and aid a world-wide campaign to compel a pooling of nuclear materials under the control of a properly constituted international authority which boycotts and outlaws those who do not submit to this control, she would be playing a more positive role for her own survival and advance. Such a campaign would find vast support, even in the developed nations of the world. The massive sanction for such a campaign lies in the new realisation that any nation can possess the bomb if it resolves to waste its resources to join a 'club' which will soon lose its exclusiveness and its privileges.

What India Must Do

In short, it is not enough for Delhi only to stress the peaceful uses of atomic energy. This correct position must be reinforced by a passionate determination to find ways of controlling the destructive nuclear material which is now being manufactured all around the world. It is an aspect of our campaign which has been much neglected. Internally, the Prime Minister should take immediate steps to call a conference of political leaders to educate them on the realities of the nuclear situation before they launch opportunist calls to make the bomb. Indian opinion needs a great deal of educating on the military implications of nuclear involvement.

In an odd sort of way, there is a certain appropriateness in the fact that the debate on the economic challenge facing India is taking place in the shadow of the bomb. The general situation at home and abroad has at last helped to sharpen Shastri's views. He is beginning to say the pertinent things he should have said two months ago. A system of effective procurement and rationing is to be worked out for major urban areas. Profiteers are to receive speedy punishment. So far, so good. But is Shastri prepared to punish lazy colleagues in the States? If he does, then the country's confidence will revive.

The meeting of the National Development Council, at which Shastri spelled out his approach—including the proposal for the State to enter essential consumer production—was remarkable for the apathetic performance of the Chief Ministers. They seemed to be oblivious of any major challenge and were more interested in pressing for greater financial allocation from the Centre. No policy initiated by the Centre can succeed unless the sleeping Congress battalions in the States are inspired about the need to implement directives. This is particularly relevant in the context of the present food shortage and the crisis of rising prices. Indeed, it is on this forgotten front that Kamaraj should prepare to intervene.

As we mature in the shadow of the bomb, we will witness many far-reaching changes in political alignments at home and abroad. We will have to shake ourselves out of old lethargies, out of the peace of the grave, and keep abreast of new developments. Hard days are ahead—but they can be exciting, creative.

Letter to Editor

Deficit Financing and Inflation

V K R V RAO's thesis (*The Economic Weely*, October 10, 1964) is that a rise in prices is an inevitable part of the stresses and strains of economic development. I am afraid not many will agree with the inevitability of rise in prices. According to Rao prices will rise because, first, there is a time lag between investment and output of consumption goods, and second, in between investment and output of consumption goods incomes will be created (not redistributed) leading to increase in expenditure. Since a major portion of this expenditure is directed towards consumption goods prices rise. Rao assumes that investment will be financed through created money though he does not state it clearly. I ask: is this obligatory? If we were to finance our economic development through direct taxation and borrowing the terrific pressure which Rao has mentioned would not arise.

The main cause of the rise in prices is deficit financing. No amount of philosophization can hide this fact. Therefore, we must bid good-bye to deficit financing. If we finance our economic development through direct taxation and borrowings additional incomes will not be created; they will be redistributed. This redistribution is not likely to create the "terrific pressure", against which Rao has adumbrated an outline for stabilization of prices. This redistribution incidentally will lead us towards egalitarianism which we all want.

However, there is a snag. The amount that can be gathered through direct taxation and borrowings is limited. We cannot lay our hands on as much money through these two resources as we could if we were to depend on indirect taxation and deficit financing as at present. The rate of economic growth without tears in a country is limited by the extent of amount of resources obtained through direct taxation and savings. If we cross this limit, the spectre of a rise in prices will keep on haunting us.

As soon as some of the investment projects are completed and they begin yielding consumption goods, more money should be injected into the society so that the economic machinery runs smoothly.

Rao's prescription is in the nature of palliatives. It does not remove the basic and predominant cause of rise in prices. Once we agree on the aetiology of the disease of rising prices there will be no difficulty in finding a solution.

Happily the Government seems to be convinced about the pernicious effects of deficit financing, for from the press reports we gather that in the Fourth Plan this source will not at all be depended upon. This, however, does not mean that prices will not rise in the Fourth Plan because the momentum of deficit financing which we already have will not come to a grinding halt. Its effects are likely to last much beyond the date we stop deficit financing. Secondly, other secondary causes will be there which push up the prices. They will have to be looked into and taken care of.

R G BAJPAI

Muktsar,
October 24.

Letter from South

Turmoil in Tamilnad

TAMILNAD appeared to have won status as one of the settled States of India, despite occasional noises and stunts by the D M K. The Congress had the strong hands of Kamaraj on the reins and had been relatively free from the more unseemly and disturbing aspects of factionalism. The administration was comparatively less dilatory and hidebound.

Popular discontent, however, was never far below the surface and kept erupting every now and again in the form of innumerable strikes, demonstrations, *satyagrahas* as well as periodic burning of the Constitution, maps of India and the like. The election results have also not always been kind to the Congress; the prestige win of the D M K in the Madras Municipal elections is a case in point. Yet the impression was that the Congress in this State functioned with relatively greater efficiency and was less hamstrung by the dictates of the conservatives among the affluent.

Food Crisis

The food crisis has badly shaken this conception and seriously damaged the standing of the Congress. It cannot be denied any longer even by the stalwarts of the ruling party that there is a rice famine in the State. The queues have been lengthening and tempers getting frayed, leading to ugly incidents made still uglier by police high handedness and firing. It may be said that the food problem in its present acute shape is by no means a phenomenon confined to Tamilnad; nor is it that official complacency is peculiar to Madras. Yet, the complacency there was of a pretty high order. And the attitude persists in some highly-placed quarters. Food Minister Manradiar did some loud thinking on the subject which amounted to blaming the length of the queues on middle-class consumers who wanted to obtain stocks for petty hoarding! Another Minister went one better. He felt that the longer the queues the better as this indicated prosperity, since the people's standard of living had risen from the bajra-consumption stage to the rice-consumption stage!

The Chief Minister had some months ago gone on record as saying that the position was not as bad as some "interested" critics were making out. He had full confidence that the rice in the State was sufficient and, in case of need, could be supplemented by imports from Andhra, for which arrangements had been made. He was also confident that producers and traders would keep Madras as well fed as ever. The poor man has now been thoroughly shocked by the way things have developed. He has now come to the conclusion that the wholesalers have betrayed him and have pumped out rice to Kerala, where it fetches much high prices. He is now willing to go in for some scheme of modified rationing and has become an advocate of State trading. Rather late in the day one has to say.

Opposition Parties' Stand

The Communists in the State have frankly adopted the approach of siding with the Congress against the reactionary and communal combine. At the same time they have taken the initiative in launching various forms of popular protest, including strikes, hartals and hunger-strikes. Their small group in the Legislature tabled a censure motion as well. It is as well that they have demarcated themselves from the DMK-Swatantra opposition, even though the mass hunger strike of MLAs was a joint action. During the debate on the no-confidence motion it was quite evident that DMK was all-out to protect the interests of the wholesalers. One of their champion orators declared that the villain was the Government and there was no point in painting up the wholesalers in the devilish colours of hoarders. It is not at all clear that this supposedly radical party will fully support the concept of State trading and the take-over of the hoards of the big dealers despite its declared support for State control. Rajaji has, of course, squarely placed the blame on the Government's "interference" with the free play of natural forces of production and supply—a more cynical and callous statement could scarcely be conceived in the context of the criminal inactivity of the Government. Despite the diversity in approach, the Congress found that its bungling with the very basis of the life of the people had united the opposition as the vehicle of the wrath of the masses.

This anger has been heightened by the curious and tragic incident of P Arjunan. He is known widely as the police officer who was so sickened by the hypocrisy of the administration with regard to the implementation of the policy of prohibition that he printed pamphlets against it while still an officer. He carried his campaign a stage further in January this year when he publicly attempted to distill arrack at Erode. He had charged that the police force was corrupt and had winked at drinking in the upper strata while framing the poor on charges under the Prohibition Act. Quite by accident, this man happened to be heading a demonstration in Coimbatore to protest against the actions of a particular rice trader. As a matter of fact, he took this lead in order to avoid any serious incident. Yet as the demonstration came to the Ukkadai police station the police state it became "unruly and menacing" and in self-defence they had to resort to firing. A sub-inspector, said to have been hit in the eye by a stone thrown from the crowd, seized a fire-arm from a sentry and shot Arjunan in the chest, killing him on the spot. The opposition raised the incident in the Assembly and when no adjournment motion was allowed, staged a walk-out. There was widespread grief and anger at what looks like a case of an outrage upon justice and vendetta against a man who was hated by the police because of his exposures from the inside.

Kamaraj Intervenes

The shrewd and compassionate man that he is, Kamaraj has realised that the situation is getting out of hand. So he has gone in for direct intervention, including the highly irregular action of calling Government secretaries to his residence for consultations. He has openly said that the food problem cannot be solved without direct Government responsibility for feeding the people through unearthing hoarded grains and creating an adequate machinery for distribution. He has favoured rationing in the worst-affected areas to begin with, despite the imposing administrative problem that this represented. Under his inspiration the Pradesh Congress Executive has passed a resolution, roughly along the lines of his approach, expressing anxiety at the food situation in the State. It is not at all sure, however, that the Government is going to do enough and on time to adequately check the spiralling prices.

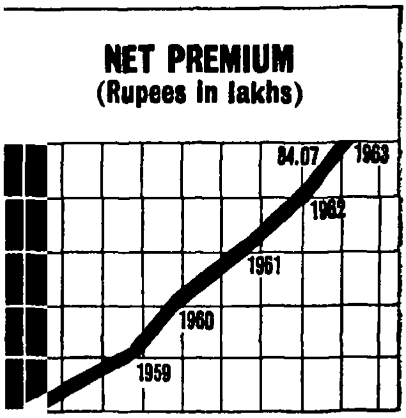
On top of all this has come the agitation over the Salem Steel plant, certified as feasible and advantageous

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by Dastur and Co. There were numerous rumours and opposition questions to the effect that Sanjeeva Reddy was averse to locating the plant there and would naturally prefer Vizag. Everybody was so perturbed that the Industries Minister had to declare that, if necessary, the State Government would go ahead with the project on its own and there were "friendly foreign" States who were willing to collaborate —a reference, it is believed, to the German Democratic Republic. An amazing business altogether illuminating at once the "national" nature of our planning and the "Dravidian" unity of the South! The calm in Tamilnad seems well and truly broken.

Book Review

Industry, Development and the City

Sharad Kulkarni

Our Industrial Urban Civilization by Nels Anderson, Asia Publishing House, Bombay, 1964; pp xiv + 113, priceRs 12.

THIS book is based on three lectures delivered by the author at Karnatak University, with additions and alterations. Anderson points out that contemporary urbanization is different from the pre-industrial urbanization. It is characterised by non-agricultural work, viz, work in factories, commerce, transport, communications and other services. It is more productive but it is also 'naked', concentrated and separated from non-work activity and interest. Modern urban life is also characterised by mobility which involves change in job, occupation, place of residence, social status and so on. Mobility implies transiency of contact. Modern urban life is impersonal and 'clock-regulated'. Urban environment is man-made and mechanical. Thus we have an industrial urban civilization in which urbanism and industrialism are interdependent. The process of industrial urbanization is gaining strength in developing countries, revolutionizing the agrarian way of life. One of the peculiar characteristics of industrial urbanism is that it is becoming a global way of life. Cities in the world are interdependent with world-wide industrial markets. They are coming together even socially, reading the same news, having the same fads and styles, and also having world organizations in various activities.

The Gap

In the developing countries urbanization and industrialization are associated also with development. The author recognises that the developing countries have wide differences among themselves and tries to classify them in five broad groups. But as he himself admits, the grouping is more hypothetical than real. Anderson points out five problems common to all developing countries. They are (1) the urgent demand for industrialization, (2) a spontaneous trend towards urbanization, (3) the search for investment capital and outside aid, (4) the urgent demand for expert guidance and skill and (5) deficiencies in government skills and integrity. He rightly points out that in developing countries industrialization is far out-distanced by urbanization. One might add that in fact most of the problems of urbanization in developing countries are due to the temporal gap between industrialization and urbanization.

Social Problems

While writing about the levels of skill and education necessary for speedy economic development, the author has emphasized the role of "professionalism", meaning thereby "an attitude of dedication to the quality of the work encompassed by one's occupation". Our industrial urban civilization gives rise to a number of new occupations which tend to acquire a professional character. A number of technical and other jobs must be done in conformity with professional standards, without which our civilization cannot function. The lack of such professional standards in public services, industry and business is one of the greatest handicaps in economic development.

The author also points out that the lack of political stability is one of the principal barriers to industrialization. He suggests that "each developing country is passing through a cultural crisis, endeavouring to retain old cultural traits while adopting new ones".

Industrial urbanization has given rise to a number of social problems. Anderson classifies them as problems of (i) population change and balance, (ii) mobility and migration, (iii) amenities and structure, (iv) income, spending and saving, (v) collective security and welfare and (vi) old age and retirement. An attempt is made to analyse the problem of slums, but the treatment is not thorough. Actually the problem of slums is the most acute problem created by industrial urbanization and quite possibly, it is this problem which, if unsolved, will jeopardise the process of industrialization, urbanization and economic development.

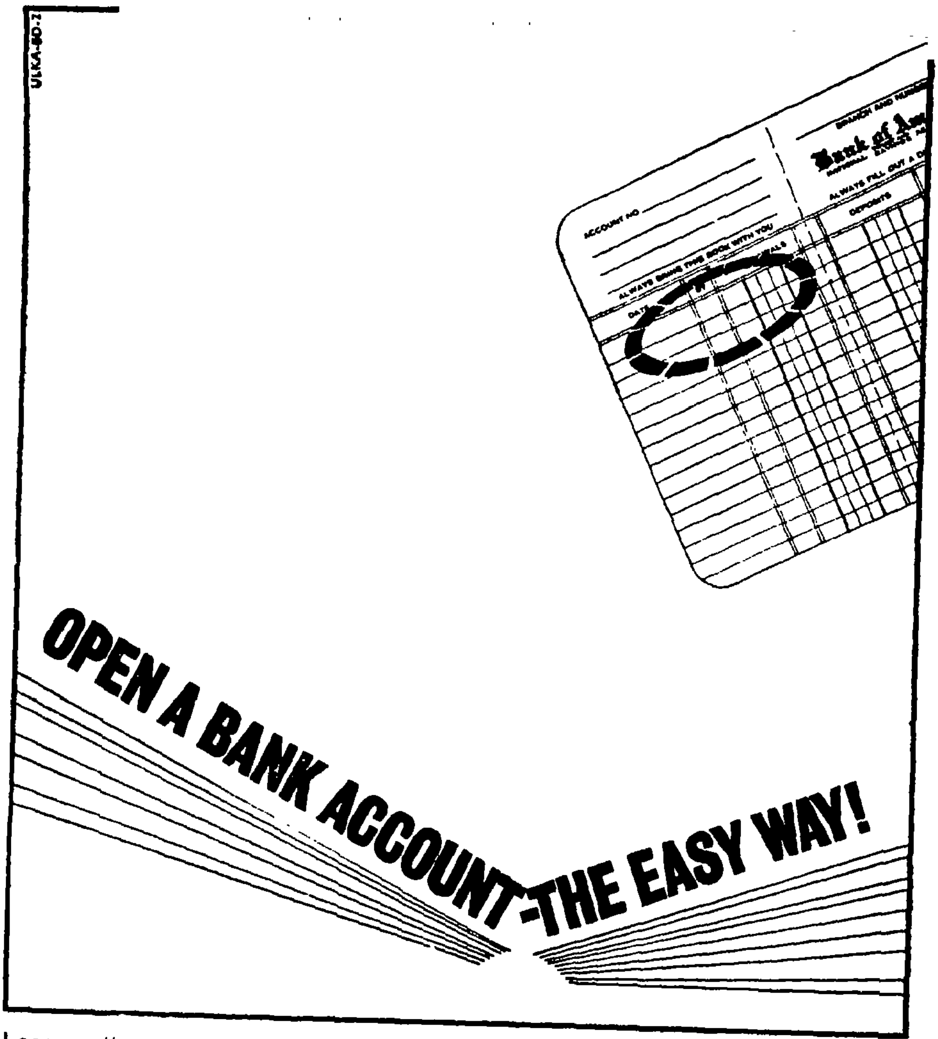
The author has added some notes on community research in an appendix to the book. These notes are too general to be of any specific use.

In this small book of 113 pages the author has touched on almost all the major aspects of our industrial urban civilization. As the book covers industrial urbanization all over the world, the analysis at times becomes general and does not go very deep. At one place the author groups London, Paris, Rome, Cairo, Athens and Bombay as cities burdened by the weight of past centuries. One feels that compared to the other five cities, Bombay can hardly be called a city burdened by a history. Nevertheless Anderson's book is essential reading for the students of sociology and economics and deserves an important place in the literature on urbanization.

India — US Air Service

THE Governments of India and the United States have concluded a new exchange of notes under the 1956 Indo-U S Air Transport Services Agreement. The new exchange, which replaces clarifying notes concluded at the time the air agreement entered into force in 1956, is intended to facilitate continued development of air services between the two countries.

Under the new exchange of notes, Air India will be able to expand its flights during the winter months to a daily basis and thus maintain a year-round daily service to New York. Coincident with the exchange of notes, Air India is introducing its new daily schedule to New York, effective immediately.



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Russia without Khrushchev

P Misra

It is the Soviet Union's rift with China, for which Khrushchev was personally responsible, which in all probability played the crucial role in his overthrow.

It follows that the first task that the new Soviet leadership will address itself to will be that of finding a modus vivendi *with China.*

Yet it is almost certain no Russian leadership can pay the full price that the Chinese are asking for their friendship: acceptance of China's leadership of the world communist movement.

IT is now known that while Nikita Khrushchev was cosily sun-bathing in Sochi, his erstwhile comrades and confidants were surreptitiously meeting in Moscow conspiring to overthrow him. He had no inkling of the *coup* staged by them on October 15. According to the resolution of the Central Committee, Khrushchev resigned on health grounds. However, hardly three days had gone before *Pravda* came out with the real reasons for his downfall. The paper in an editorial on October 18, accused Khrushchev indirectly of drifting, hare-brained scheming, immature conclusions and hasty decisions, bragging and phrase-mongering and commandism. It also castigated him for fostering the cult of personality.

His Own Men

No serious student of Soviet affairs could ever envisage Khrushchev's ignominous exit. In the 13 years he was in power, he had carefully packed the Central Committee of the CPSU with his own men and groomed a batch of young leaders for a peaceful take-over. Lately he had expressed more than once his desire to retire due to his failing health. People all over the world are naturally amazed why his lieutenants acted in such unseemly haste.

Among the various factors responsible for Khrushchev's overthrow, Russia's deteriorating relations with China and the progressive disintegration of the international communist movement appear to be the most compelling. For the swift and determined action by the Central Committee, Anastas Mikoyan appears to have played a pivotal role. He was the main power behind Khrushchev's fight against Stalinist elements in the Party and his popularity among the rank and file of the party is second to none. Mikoyan certainly harboured a grudge against Khrushchev for shifting him to the ceremonial post of Presidentship. The disgruntled army leadership, which was openly opposed to Khrushchev's diminution of the conventional armed might of the Red army, surely backed the move for the change. They had never forgiven Khrushchev for the way Zukov, their most popular and powerful General, was sent into oblivion. The failure of agriculture, which led to food shortages last year in spite of Khrushchev's boastful claims of accelerated agricultural production must have also contributed towards his downfall. The way Khrushchev employed Alexei Adzhubei, his son-in-law, for personal diplomacy even behind the back of Presidium and foreign office, surely laid him open to the charge of nepotism.

China: The Vital Factor

However, it is the rift with China, for which Khrushchev was personally responsible, which appears to have played the most important role in his overthrow. The Russian leadership has been worried lately by the deterioration of relations with China. They must have feared that if the present drift was not arrested in time, it may even lead to eventual armed clash with the Chinese in Central Asia. The way Moscow's influence has suffered set backs in the international communist world under Khrushchev's leadership, has also been galling to the Russian leaders. Out of 26 countries invited to the Moscow Preparatory Conference, only 12 have so far accepted the invitation, some of them not too willingly. Even Marshal Tito, who has been a great champion of the Khrushchevite line, declined to participate in the Conference. And the response of Gomulka and Kadar, the two most fervent supporters of Khrushchev in Eastern Europe, was far from enthusiastic. Khrushchev's indictment by Togliatti, an old supporter of Soviet positions in the Sino-Soviet conflict, for is alleged activities aimed at driving the Chinese out of the international communist movement, it appears, exercised considerable influence on the Central Committee.

There is no doubt that Khrushchev in his own way tried to mend fences with China. On the occasion of the Chinese National Day, he had sent a fraternal delegation to Peking, led by a member of the Presidium of the Central Committee, Grishin, and *Pravda* and *Izvestia*, both had expressed their desire for improving relations with China in editorials on the occasion. Only the other day the Secretary of the Central Committee, Podgorni deliberately avoided mentioning the date of the proposed Moscow Conference in a speech, in order to mollify the Chinese. However, Mao Tse-tung evidently spurned all these attempts at reconciliation and rapprochement. The Soviet leaders must have realised that unless Khrushchev was removed, there was no possibility of a *detente* with China who held him personally responsible for the strained relations.

The Chinese, obviously, are delighted with the dismissal of Khrushchev. The new China News Agency carried the story of Khrushchev's exit within an hour of its coverage by Tass. The Albanians openly interpreted it as a Chinese victory. However, consternation ran high in Eastern Europe at the disgraceful way Khrushchev was forced out of office. Today they are apprehensive of being tied down more closely to the Soviet Union, in spite of the assurances of Brezhnev that they would be treated as equals.

New Leaders' Tasks

The first task that the new Soviet leadership will address itself to will be improvement of relations with China. Attempts will be made to find a *modus vivendi* on the ideological plane, and economic and technical assistance may be resumed. However, it will be difficult for even Brezhnev to accept the supremacy of Mao's leadership in the international communist movement which will doubtless be demanded by China as a precondition and no Russian leadership can ever accept the Chinese claims in Central Asia. There is also a likelihood that the Soviet Union will strive with renewed zeal to secure China's admission into the United Nations, to help the emergence of a

normal political atmosphere in that country. However, it is impossible for new leadership to go back completely on the policy of co-existence initiated by Khrushchev, which symbolizes the general urge of the Russian people for peace.

A total reversal of internal relaxation is also out of question. But a certain degree of fresh regimentation to bring the writers and artists in line with Party policy is quite possible However, any attempt at putting the clock back under Chinese inspiration is bound to meet with firm resistance from the Party rank and file.

In the Soviet Union Khrushchev's name will always be associated with freedom and democracy. In his regime, the Soviet people breathed a sigh of relief after decades of suffering under Stalin. Therefore, the basic policies of a consumer-oriented economy, liberalization, etc., will remain irreversible, no matter who constitutes the leadership.

However, the stability that the Soviet Union enjoyed during Khrushchev's time may be interrupted for some time. There is bound to be a bitter struggle for power as a result of which the new collective leadership will eventually make way once again to one man's rule. The present arrangement, therefore, can at best be of a stop-gap nature. The conspiratorial way Khrushchev has been romoved from power and the campaign against him have disconcerted the more thoughtful elements in the communist world.

Khrushchev was the most colourful personality ever produced by Soviet Russia. But his earthy, volatile nature, though it endeared him to the Soviet masses, was rather looked down upon by the tough organisation men of Kremlin, the *apparatchiki* technocrats. *It is now these grim and taciturn men* who are going to rule the Soviet Union.

Hundred Countries Buy More Indian Goods

ABOUT one hundred countries imported more goods from India during 1963-64 than in the preceding year, but 76 countries reduced their off-take of Indian goods, according to the Indian Chamber of Commerce. The countries whose off-take of Indian goods increased in the last fiscal year were Argentina, Belgium, Ceylon, Czechoslovakia, Malaysia, West Germany, Japan, U S A and U S S R. Among those who reduced their purchases of Indian goods, the important countries were Indonesia, Iran, Nigeria, East Pakistan, Poland and Yugoslavia. Exports to the dollar area increased from Rs 143 crores in 1962-63 to Rs 157 crores in 1963-64, to the European Common Market from Rs 48 crores to Rs 57 crores, to East European countries from Rs 92 crores to Rs 109 crores, to sterling area from Rs 268 crores to Rs 283 crores and to other soft currency areas from Rs 170 crores to Rs 188 crores.

During 1963-64, India had a deficit balance of trade with 28 important countries. The deficit continued to be large especially with the U S A (Rs 262 crores), West Germany (Rs 70 crores) and Iran (Rs 43 crores).

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Use of Short-Term Co-operative Credit

Findings of a Field Study

S Vasudevan

That a very large proportion of co-operative credit is not in fact used for the productive purposes for which it is intended is well known. A field study of six primary co-operatives in a district in Mysore throws some light on the factors responsible for the misuse of credit.

Apart from loopholes in the procedures for sanctioning loans and the deliberate subversion of these procedures, the principal reason why co-operative credit finds its way into unproductive uses is that at present there is no link between the sanction of loans and the production plans of the borrowing farmer.

The official agent to help farmers to raise production at the village level, the Gramsevak, receives no help at all from the co-operative extension officer. Not one loan by any of the six societies studied was sanctioned at the initiative of the Gramsevak.

The closer integration of agricultural extension and co-operatives is, therefore, imperative for the effective utilisation of agricultural credit. The Gramsevak and the agricultural extension agency must be given additional powers and responsibilities in the sphere of agricultural credit. In this context it is suggested that the Gramsevak should be made ex-officio member of the managing committee of the credit co-operative in his jurisdiction.

ABOUT Rs 300 crores are annually lent as seasonal agricultural credit through co-operatives. The Reserve Bank of India which provides this money has termed it short-term agricultural credit in contrast to medium-term credit and long-term credit for three years and longer, respectively. Short-term credit is provided for meeting expenses for current agricultural operations. The following are the conclusions of a field study of utilisation of short-term credit.

Six Co-operatives

The field study of six primary co-operatives was undertaken in March-April 1962 in a Mysore District. I chose three community development blocks each representative of irrigated, semi-irrigated and rain fed areas by stratified sampling. And I selected at random two societies from each of these blocks, one representative of the better working primaries and the other from among the remaining. Of these six, one happened to be a large-sized society having an office-cum-godown.

During field study I examined the loans records of the societies and the records maintained by the District Bank and the District Co-operative Officer concerning these societies. An attempt was also made to compare loan transactions of the selected co-operatives with those of the registered money lenders in the area. For eliciting fuller information on the subject, I administered open-ended and structured questions to seventy-three persons in all with the help of interpreters. The questionnaires were pretested in a village near Mysore City before they were administered. The Gramsevak, the secretary and committee members of the primary society, the members of village panchayat, the village revenue officer ('Shanbhog') and four farmers (of whom two have taken short-term loans and two are non-members) were invariably interviewed in all the six selected villages.

At the Tahsil level, the members of the Panchayat Samithi (Taluka Board), the Block Development Officers, the extension Officers for agriculture, animal husbandry and co-operation, secretaries of regulated markets and Taluk marketing societies and District Co-operative Bank supervisors were interviewed. At the District level I consulted the district officers for agriculture, agricultural marketing and co-operation and also the functionaries associated with the co-operative bank and the co-operative union. Although this one-man study with limited facilities could not attempt any valid conclusions, it could throw some light on the darker areas in the field of co-operative credit and could help me understand some of its strengths. Scanning through the bulk of material collected, from a distance of two years now, I feel I could resist subjectivity and hazard certain conclusions, which I feel are worthy of further examination and study.

Small Farmers Not Benifitted

I found that farmers of the low-income group who form the vast majority of the peasantry are seldom substantially benefited by farm credit. Although they signed or put their thumbs to affirm that the money was meant for cultivation they generally did not use it for farming. They were mostly indebted, and the issue of loan was much publicized in the village—how then could they resist repaying earlier loans and using whatever balance was left for pressing needs other than agriculture? Loans above Rs 500 were normally better applied, may be for agricultural purposes or other investment. For the poor farmer co-operative seasonal credit in many cases provided additional wherewithal for consumption. Subsistence farming needs better extension service for proper use of farm credit.

No Check on Use of Credit

Not all directors of the district bank and the primaries were interested in the issue of loans. In five out of six societies group loyalties at the village level determined loan issue; and at the district level, political factors prevented a primary society getting short-term loans from the District co-operative bank. As nobody can appeal effectively against the injurious actions of the higher co-operatives, peasants lose reliance on co-operative credit for farm operations. Co-operative credit is therefore misused to exercise economic pressures by village oligopolies who sometimes own the societies. The records of the co-operative may be excellent, but the society might work as an oppressive element as far as the peasant is concerned.

I found on closer examination that the purpose-wise classification of short-term loans was not at all realistic in all the six societies as well as in the district bank. In many cases the only agricultural use to which the loan was applied was for buying live-stock. No wonder that farm credit has no relationship with food production. This could be clearly seen in all the six societies.

Agricultural extension has not prepared the mind of the farmer for additional farm input, and farm credit cannot therefore enter the field and help the production process. Commercial agencies are far more capable than governmental officers in selling chemical fertilisers and plant protection equipments and also in popularizing farm implements. The accredited agent for farm production at village level receives no support from the co-operative extension officer. The Gramsevaks' role in the issue and proper use of farm credit needs better appreciation and *more powers and responsibilities* have to be given to the farm service agencies to ensure better utilisation of farm credit. No loan *in any of these* six societies was issued on the initiative of the Gramsevak.

*Wherever the peasant could not him*self dispose of his produce, as in the case of tobacco, sugarcane and other cash crops, credit was linked to marketing; but otherwise it was not. It was noticed that subsistence farming in rain fed conditions could not bear the risk of high cost chemical fertilizers and peasants needed extra support through their co-operatives for using farm credit in the right directions.

Link with Extension Agency Vital

The *management of primary* co-operatives were unconcerned with the utilization of farm credit even though everybody signed papers to the effect that the loans were for genuine farm operations. Often the disbursement of loans was so delayed that they could not be used for farm operations. The managements of co-operative societies blamed the financing bank for procedural delay in issue of loans. Loans were often issued between July and August *after* ploughing operations which prevented their use for farm operations in many places. Nobody connected with the operation of farm loans was earnest *to relate the issue and repayment* of loans to the farming and harvesting seasons. The study showed that the loan applications were prepared hurriedly, endorsed in one or two meetings of the society, approved in haste by the co-operative official and sanctioned without due consideration by the financing bank. The co-operative officers concerned with agricultural loans should have better appreciation of farm practices so as to effectively guide the use of short-term credit for additional farm inputs. It was disconcerting to find the Gramsevaks, the agricultural extension officers and the higher ranks in the area unable to guide farmers on improved practices. Effective extension work needs agricultural skill in addition to information. Unfortunately, the qualitative assessment of agricultural extension work has not been satisfactory in any of the three blocks. When the peasant is not inclined to use any additional input in the field how can short-term credit enter the production process?

Co-operative short-term credit co-exists with other forms of credit available in the village and is used for all purposes by the farmers and is repaid in the same way as any other private loan is paid back. Taking into account the cost of enrolment for eligibility to borrow, the gratification paid for *obtaining the loan and the* costs of securing it, short-term co-operative credit is not really cheap for the bulk of the peasants who borrow between Rs 50 and Rs 250.

The remedy lies in closer integration between co-operatives and the N E S agency in respect of agricultural services. Any society issuing short-term agricultural credit should accept the Gramsevak as an ex-officio committee member.

As part of his work, the Gramsevak should assist farmers to prepare production plans and apply for short-term credit from the society. Co-operatives must be accepted as the principal agency for introducing innovations in farm practices and the agricultural department must work through co-operatives for increasing farm production. In short the Gramsevak and the agricultural extension agency above him should have added *powers and responsibilities in the* operation of short-term agricultural credit through co-operatives so that *farm* credit may be used for increasing production.

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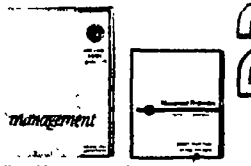
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Managing Agents on the Way Out

R K Hazari

THE Finance Minister has announced that Government is considering a proposal for gradual abolition of the managing agency system in well established industries. A beginning would be made next year when some of the agreements between managing agents and managed companies approved in 1960 (when all old agreements had to be revised in terms of the Companies Act 1956) would come up for renewal. Earlier, it appeared that Government might wait for the report of the Monopolies Commission scheduled for October 1965 before coming to a definite conclusion. Since the Commission threatens to get lost in the petty details of conventional monopolistic practices, it is just as well that the Finance Minister has decided to go ahead without the benefit of its recommendations.

Under the 1956 Act, Government has the power, *vide* Section 324, to prohibit the appointment of managing agents in companies "which are engaged on (the) date (of the notification) or may thereafter be engaged, wholly or in part in such class or description of industry or business as may be specified in the notification". In such cases, the appointment of managing agents shall expire, at the latest, three years from the date specified in the notification, provided the notification has been approved by Parliament. The full text of the Minister's speech is not available yet but it seems from newspaper reports that he does not contemplate resort to Section 324 procedures and prefers instead to make the Company Law Board use its powers under Section 326 to reject applications for Government approval. While I wholeheartedly welcome the Minister's decision (see my article "The Managing Agency System —A Case for Its Abolition", Annual Number, February 1964, pp 315-322), I am unable to appreciate this roundabout way of implementing the Government's policy.

The constitutional issue of by-passing Parliament apart (cumbersome and unnecessary though the procedure for Parliamentary approval prescribed by Section 324 might be), Section 326 is meant to deal with cases of individual misbehaviour, not broad policy issues. Sub-section 2 of Section 326 specifies only three grounds for rejection of an application: (a) when it is against the public interest to allow *the* company to have a managing agent; (b) when the proposed managing agent is not a fit and proper person and the conditions of his appointment are not fair and reasonable; and (c) when the proposed managing agent has not fulfilled conditions which Government might have required him to fulfil. These three conditions cannot be stretched to cover the entire policy question of the continuance of the managing agency system. Action under Section 324 would be a more dignified way of bowing out this relice of the past.

No Tears Necessary

What are the well-established industries which are about to be emancipated of this system? They are not many, and can be enumerated without difficulty: cotton and rayon, jute, paper, sugar, tea and cement. With regard to these industries, I had suggested earlier that "The problems of finance and management of these industries do not call for the special services which the managing agents claim to have provided so far. The technical changes and problems of marketing that they have to face require professional skill, not the part-time attention of the members of controlling families. In all these industries, tea excepted, the managed companies are, in general, better known in their own right than the managing agents which manage them ... The elimination of the managing agency system from these industries will not affect the control of (business) groups over their companies for the controlling blocks in them are, in general, quite substantial". Care should be taken, at the same time, to give a somewhat longer rope, for the next few years, to managing agents in new and capital intensive industries — on grounds of commonsense, not that there is much logic in this discrimination. Their capital requirements are very large, the gestation periods are long, the controlling equity is relatively small — and the doors are open "a little wider" to foreign collaborators.

No tears need be shed over the impending departure of managing agents. G D Birla and Kasturbhai Lalbhai delivered the pre-funeral orations some time before the Government made up its mind. Sorrow is unnecessary because the abolition of the managing agency system aims not at reducing the concentration of economic power but at giving an impetus to the development of professional top management. The fertility and versatile talents of controlling families notwithstanding, the desire to keep managerial decisions as an exclusive family prerogative is running into a size-cum-technical barrier which can be pierced only by genuine delegation of powers and giving of incentives to those who actually manage, rather than to the ones privileged by birth. In India's largest diversified company, Delhi Cloth Mills, the manager of each factory (never mind the managing agents) gets a commission of one per cent or more on profits. The managerial incentives, therefore, go where they belong — and one has reasons to suspect that this scheme has something to do with DCM's prosperity and expansion. If the orthodox contention is that there are not enough professional managers to go round, the answer is, first, that this is no compliment to the system we have had so far and, second, that by and large such managers cannot come up in the traditional framework of the managing agency system.

This brings us to the points which were raised by Sudhir Mulji (March 21, 1964, pp 569-570) in his defence of the system. As a Martian recently descended (not by birthright though) upon solid earth, I cannot be expected to fully appreciate or understand all the intricate ways of high finance, especially the invaluable and sound traditions of financial genius "handed down from generation to generation". Leaving aside the question of public sector or private sector management which is quite irrelevant in this context (I am all for generous incentives and wide powers to the deserving, see above), I see no reason why one or more managing directors (by whatever name called) cannot perform the functions of management and act as instruments of control on behalf of the controlling interest. I do not remember making any plea for abolition of all forms of top management or group management!

In the course of extended cordial discussions, Sudhir Mulji conceded that the rationale of managing agents does not lie in the provision of concrete identifiable managerial services. He asserted that managing agents are financially indispensable in these situations:

(i) in the case of a new company, the

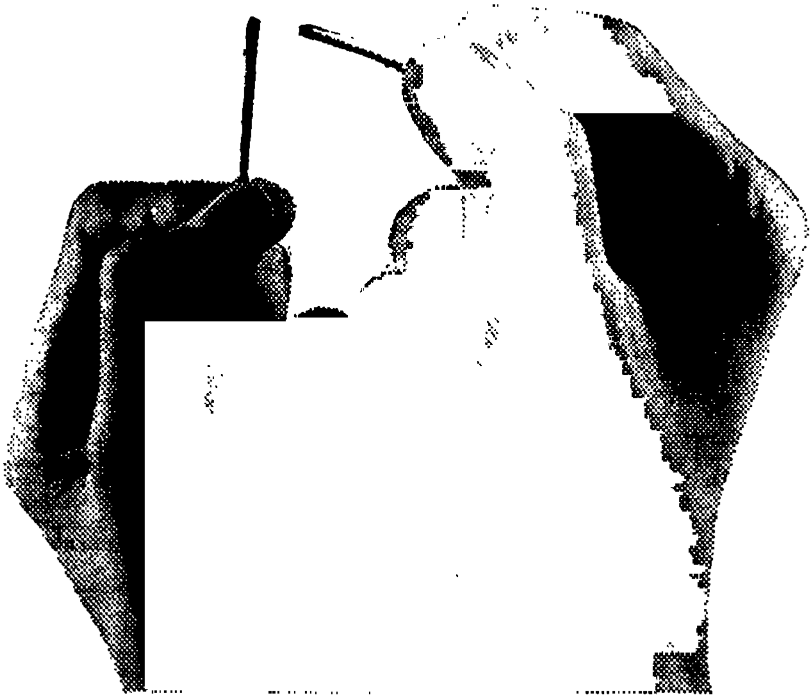
Overtaking needs good judgment too

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negotiable asset to large investors in the form of charges upon or shares in the managing agency commission;

(ii) in a joint venture (with Indian or foreign partners), all partners can have the satisfaction of participation in financial and managerial control; and

(iii) in a joint family, it is easier to raise controlling (or promoter's) equity if all the members are technically entitled to have a say even though active management is entrusted to one or a few members. Besides, as the contribution of promoters to the equity capital steadily declines and larger proportions are raised from financial institutions and outside investors, managing agency agreements become all the more necessary (especially for new entrepreneurs) for retaining control over the managed companies). While fully appreciating these arguments, I am far from convinced that they amount to a case against the gradual abolition of the managing agency system.

The practice of giving shares in the managing agency commission in return for financial support to new ventures has practically withered away since the IFC and the ICICI got into stride. The remnants of this practice are either devices to avoid taxation or, as in the case of DCM, an ingenuous way of providing incentives to senior executives without the controlling family divesting itself of the managing agency rights. Managing agents cannot have the argument both ways: that their remuneration is low compared to the comprehensive services which they provide but high enough to make it a negotiable asset. As for all partners and/or joint family members having a say in management, I concede that Sudhir Mulji's practical experience could have convinced him that it does not lead to confusion and over-lapping of hierarchy but, for one thing, this belief is not shared by many other 'practical' people; for another, I see no difficulty in finding places for competent partners and family members in a hierarchy of managing directors, devoting reasonable attention to the affairs of managed companies in return for adequate direct remuneration from them.

The problem of retaining managerial control when outside investors hold more than 50 per cent of voting power need not be magnified disproportionately. In leading well known companies, this problem is overcome by the wide dispersion of shareholding and the neutral position adopted by the LIC and the ICICI. In most of the remaining companies, the controlling interests normally hold more than 40 or 50 per cent of voting power and are, therefore quite safe that leaves only a few marginal cases like certain Kirloskar and Seshasayee companies, in which outside investors hold much larger blocks than the controlling interests. My contention regarding the last problem is quite simple though it is not based upon personal experience of high finance: what prevents the large investors in these companies from combining to vote out the present managing agents? If the managing agents have not been voted out so far, nor are they in genuine danger of being voted out, why should their successor managing directors be any worse off?

Nepal's Foreign Trade

K Prasad

Nepal's foreign trade has expanded rapidly; the expansion is likely to be maintained in view of the development programme launched by the country.

Though imports and exports have both increased, exports have lagged behind so that the trade deficit has tended to widen.

As Nepal's principal trading partner, India has accounted for the largest share of the increase in Nepal's imports and exports. With India, too, Nepal's trade deficit has increased.

However, there is a considerable volume of export of goods from Nepal to India which is not officially recorded. If account is taken of this, Nepal's trade deficit with India will turn out to be far smaller than what is recorded by official statistics.

IN Nepal, as in many other developing countries, the non-availability of basic statistical data constitutes a major obstacle to formulate realistic development plans. The awareness of this limitation has prompted the Government of Nepal to make an all-out effort to gather basic economic data by conducting a number of surveys and censuses. As a result of active interest taken by the Government, economic data have recently started becoming available in such fields as national income, population, agriculture, prices, foreign trade, etc. The Central Bureau of Statistics of the Government of Nepal has very recently published foreign trade statistics. The statistics published, though they relate to the period 1957-58 to 1960-61, merit examination as they provide useful material for studying the trend, commodity composition, and direction of Nepal's foreign trade.

Rapid Expansion

Nepal's commodity trade has considerably expanded during the years 1957-58 to 1960-61, the period for which data have been published by the Central Bureau of Statistics. During the period, Nepal's imports went up from Rs 15.83 crores to Rs 39.80 crores, recording an increase of 152 per cent. As regards exports, which rose from Rs 7.83 crores in 1957-58 to Rs 20.98 crores by 1960-61, a somewhat higher order of increase of 188 per cent was registered. Table 1 gives the index numbers of exports and imports with the year 1957-58 as base.

Nepal's foreign trade is predominantly with India. In her imports India's share during the years 1957-58 to 1960-61 ranged between 94 to 98 per cent. Imports from overseas countries were around 5 per cent except in 1958-59, when it was only 1.7 per cent. In overall imports, commodities coming from Tibet accounted for less than 1 per cent. As regards exports the combined figures of exports to India and overseas countries accounted for over 99 per cent. In the absence of separate data it is, however, not feasible to indicate the actual order of exports to overseas countries. On a rough basis such exports can be assumed to be in the neighbourhood of 4 to 5 per cent. The value of exports to Tibet has revealed

a declining trend during the period under review, and her share in the aggregate exports has declined from 3.8 per cent in 1957-58 to 0.3 per cent by 1960-61. Tables 2 and 3 give the percentage shares of India, Tibet and overseas countries in total exports and imports of Nepal respectively.

As mentioned above, Nepal's trade is by and large, confined to India. Consequently the growth in Nepal's commodity trade is reflected largely in her trade with India. It may be mentioned here that though exports have recorded a larger percentage rise as compared to imports, the balance of trade has, however, not improved. The order of deficit in Nepal's commodity balance of trade has increased from Rs 8.50 crores in 1957-58 to Rs 18.83 crores by 1960-61. Consequently, the deficit in trade with India has also gone up from Rs 8.76 crores to Rs 18.51 crores over the same period.

As regards Nepal's trade with Tibet though imports have risen from Rs 3 lakhs in 1957 58 to Rs 38 lakhs by 1960-61, exports on the contrary have declined from Rs 28 lakhs to Rs 6 lakhs. Thus, it could be seen that Nepal's only trade surplus Tibet—in 1957-58 has turned into a deficit in 1960-61. The overall surplus balance of trade of the tune of Rs 26 lakhs has turned into a deficit of Rs 32 lakhs.

In the case of Nepal's trade with the overseas countries, while it can be mentioned that there has been a substantial stepping up in imports, which have gone up from Rs 77 lakhs to Rs 1.9 crores during the years 1957 58 to 1960-61 in the absence of separate data regarding exports to the overseas countries it is, however, difficult to indicate the actual order of deficit in trade with those countries. Tables 4 and 5 below set out the data regarding the trend of Nepal's foreign trade.

Imports account for nearly 66 per cent of Nepal's trade in commodities. Some idea of the composition of imports can be obtained from the trade data available for the year 1960-61. Consumption goods totalling fifteen, viz. sugar, sugar candy, betel nuts, tea, spices, cigarettes, vegetable oils, mustard oil, almond oil, linseed oil, kerosine, salt, medicines and soap, form roughly 58 per cent of the total imports. Capital goods including mineral fuels lubricants, and related materials (petroleum products, diesel oil, paints and varnishes, tyres, tubes, paper, cement, corrugated sheets, iron, machineries, auto vehicles and their parts) roughly account for 12 per cent of imports. Other miscellaneous items account for the remaining 30 per cent of imports in the total.

The share of exports in Nepal's total commodity trade is roughly of the order of 34 to 35 per cent. The bulk of exports due in the main to the predominance of agriculture in the economy, consists of primary goods. In the total exports, on the basis of trade data for the year 1960-61, foodgrains, other food articles and raw materials account for roughly 91.7 per cent. The respective share of food articles (including foodgrains), and raw materials in the total exports is roughly 73 per cent and 18.7 per cent. Table 6 gives the data regarding Nepal's exports and imports for 1960-61 by major codes.

Widening Deficit

The overall balance of commodity trade, on the basis of data published by the Central Bureau of Statistics, revealed a progressive deterioration, during the period under review. During the period 1957-58 to 1960-61, the overall quantum of deficit increased from Rs 8.50 crores to Rs 18.83 crores. Table 7 sets out the commodity deficits of trade with India and Tibet. It has not been possible to indicate the order of deficit in Nepal's trade with overseas countries as separate data in this regard are not available.

It will be seen from Table 7 that the trade deficit not only with India but presumably with overseas countries as well has widened during the years under review. A similar trend is also discernable in Nepal's trade with Tibet. A surplus commodity trade balance in 1957-58 to the tune of Rs 22 lakhs has turned into a deficit of Rs 32 lakhs in 1960-61. It may, however, be noted in the present context that the figures of Nepal's deficit with India given in Table 7 stand substantially modified if adjustments are made for Nepal's additional exports to India which were not recorded with the custom offices. The value of such exports is estimated to have been of the order of Rs 8.65 crores in 1960-61. A brief analysis of the value of exports to India that have not been included in Table 7, which is based on custom data, is given in the following paragraphs. The revised figure of deficit, as it would emerge after making necessary changes, has been worked out only for 1960-61. Similar estimates of actual deficits can also be worked out for previous years.

The factors responsible for the under-valuation of exports to India are summarised below:

(i) Nepal's exports to India pass through 18 major and 13 minor custom posts. It has been commonly observed that through minor customs posts food-grains and other food-stuffs are exported in excess of the quantity declared. Moreover, due to the absence of proper weights and measurements and due also to the temptation of paying less duty, the quantity declared at the custom posts is often less than the quantity actually exported. The undervaluation on this account has been estimated roughly at about 25 per cent.

(ii) Secondly, a large quantity of timber is being exported to India, but since the export of timber is not recorded in custom registers, no account has been taken of timber exports in Table 7. The estimated value of timber exports to India is placed at about Rs 2 crores annually.

(iii) A third source of under-valuation of exports to India is the smuggling of goods accross the border. Covering roughly a border of 500 miles there are about 123 minor custom posts and each post is at a distance of 4 miles. In between the posts, in the absence of any physical barrier, goods are being exported (smuggled) without

Table 1: Index Numbers of Exports and Imports

(1957-58 = 100)

Year	imports	exports
1957-58	100.0	100.0
1958-59	142.7	160.9
1959-60	178.0	180.0
1960-61	251.8	266.1

Table 2: Percentage Distribution of Imports

(Percentages)

Year	India	Tibet	Overseas countries
1957-58	94.9	0.2	4.9
1958-59	97.7	0.6	1.7
1959-60	93.9	1.0	5.1
1960-61	94.3	0.9	4.8

Table 3: Percentage Distribution of Exports

(Percentages)

Year	India	Tibet	Overseas countries
(1)	(2)	(3)	(4)
1957-58	96.2	3.8	included
1958-59	99.0	1.0	in column
1959-60	99.7	0.3	(2)*
1960-61	99.7	0.3	

* Separate data for the overseas countries are not available.

the payment of any custom duty. The value of such illegal exports is estimated at about 15 per cent of the total exports.

Thus after making all necessary adjustments the final picture of Nepal's trade balance that would emerge is set out in Table 8. It will be seen from the table that the actual order of deficit of Rs 4.50 crores in Nepal's commodity trade is much smaller than the figure of Rs 18.8 crores given in Table 7.

The overall trade of Nepal has shown a considerable expansion in the past few years, and it is likely to grow further in view of the various developmental projects initiated in Nepal.

Though both exports and imports have increased in value exports have lagged behind with the result that the deficit in balance of trade showed a widening trend.

The rate of growth of imports from Tibet has been higher compared to that of imports from India and overseas countries. It may be mentioned here that the increase in imports from Tibet has been 1150 per cent during the years under review, compared to an increase of 150 per cent in imports from India and an increase of 148 per cent in imports from overseas countries.

The order of deficit in Nepal's trade with India would be much smaller if adjustments are made for exports to India that are not recorded in customs registers.

Table 4: Trend of Imports

(Rs crores)

Year	India	Tibet	Overseas Countries	Total
1957-58	15.03	0.03	0.77	15.83
1958-59	21.82	0.13	0.38	22.33
1959-60	26.99	0.28	1.48	28.75
1960-61	37.51	0.38	1.91	39.80

Table 5: Trend of Exports

(Rs crores)

Year	India	Tibet	Overseas Countries	Total
1957-58	7.05	0.28	n s*	7.33
1958-59	11.67	0.12	n s	11.79
1959-60	13.13	0.04	n s	13.17
1960-61	20.92	0.06	n s	20.98

* Exporting overseas countries were not mentioned in customs records.

Source: Foreign trade Statistics of Nepal, Central Bureau of Statistics, Ministry of Economic Planning, Government, Nepal.

Table 6: Imports and Exports in 1960-61

(Rs crores)

	Imports	Exports
(1) Food (including live animals for food)	5.52	15.86
(2) Beverages and Tobacco	2.18	0.25
(3) Crude materials, inedibles, except fuels	2.02	4.34
(4) Mineral fuels, lubricants, and related materials	2.83	0.01
(5) Animal and vegetable oils and fats	1.03	0.07
(6) Chemicals and drugs	2.25	0.01
(7) Manufactured goods classified by materials	18.59	0.19
(8) Machinery and transport equipments	2.58	0.01
(9) Miscellaneous manufactured articles	1.64	0.14
(10) Miscellaneous transactions and commodities not specified elsewhere	1.15*	0.09**
Total	*39.80*	*20.97*

Source: Central Bureau of Statistics, Government of Nepal.

* includes live animals for food and goods imported by embassies and missions not identified.

**includes live animals not for food.

Finally, it would not be out of place to add a few words regarding the suggestion, currently being made in various official and non-official quarters in Nepal, to diversify Nepal's foreign trade. It may be mentioned in this context, on the basis of past trend of trade, that though it is possible for Nepal to diversify her imports, particularly by turning to Pakistan, Tibet and overseas countries but it would be quite another thing for her to boost her exports to these countries. The main difficulties that Nepal is likely to face are due to:

(i) the primary nature of her exports;

(ii) the limited number of commodities in which exportable surpluses are available; and,

(iii) the difficulty of creating new markets.

Problems (i) and (ii) mentioned above have become somewhat acute due to the partial failure of agricultural production in the past few years, as 90 per cent of Nepal's exports are raw materials and food articles. Moreover, exportable surpluses are available only in a few traditional commodities, viz, jute, timber and oilseeds beside food articles. These commodities are likely to face tough competition in the overseas markets, and it would be quite an uphill task to expand export of these commodities to countries other than India and Pakistan at competitive prices. It may be mentioned here that in the case of Tibet, from which Nepal has considerably expanded her imports, she found it difficult to step up her exports, which have actually declined.

Table 7: Deficit in Commodity Trade

(Rs crores)

Year	India	Tibet	Total
1957-58	8.76	- 0.26	8.50
1958-59	10.53	0.01	10.54
1959-60	15.34	0.24	15.58
1960-61	18.51	0.32	18.83

Table 8: Commodity Trade Balance

(Rs crores)

(a) Total gross exports	20.97
(b) Under-valuation of exports 25% of the total exports	5.25
(c) Export of timber	2.00
(d) Illegal exports (smuggling) 15% of the total exports	1.40
(e) Custom-free imports of development aid goods	5.00
(f) Deficit in commodity trade	4.50
Total	39.12

Around Bombay Markets

Wide Swings in Equities

Thursday Morning

DALAL STREET had a rather uneasy time last week. The market did push its way further up but it was no easy going. Speculators' favourites, which continue to account for the bulk of business in the market, moved up and down quite erratically and in a fairly wide range. Net changes over the week, however, were rather small and the price pattern was mixed. Fluctuations were guided mainly by the whims of certain prominent professional operators and these could not be satisfactorily explained in terms of the day-to-day news. Perhaps, options too had something to do with the erratic swings in prices. Rayons which had led the recent recovery and had shown remarkable strength until about the middle of the week suffered a sharp break; National Rayon dropped from Rs 375.50 to Rs 354 on heavy bull liquidation and some bear hammering. Later, Century declined from Rs 619 to Rs 604 on reports that the company might be forced to reduce drastically its production of rayon yarn and tyre chord from November unless immediate steps were taken to increase the supply of caustic soda. But trading last week was no less notable for the spurt in Steel shares, particularly Indian Iron. Tata Steel rose from Rs 147 to Rs 151 and Indian Iron shot up from Rs 25 to Rs 26.50. The week end quotations were lower around Rs 148.50 and Rs 26.10. The recent strength in Steels has been attributed to rumours about an early increase in retention prices of controlled items. Movements in Rayon and Steel shares set the tune for the rest of the market.

Earlier in the week when the market was in fairly good mood, market men did not show much concern over the additional tax effort that would be needed to finance the Fourth Plan and they, in fact, expressed satisfaction over the hint of a 12 per cent return on investment for public undertakings; market men argued, and not without some justification, that similar basis would be allowed to the private sector as well. But later when sentiment turned somewhat reactionary, the market felt uneasy over T T K's statement that the Government was considering a proposal for the gradual abolition of the managing agency system in well-established industries.

The stock market is still in a rather unsettled mood. Though there has been a considerable increase in turnover recently, business remains predominantly professional. Outside public participation is extremely limited. Continued lack of public interest in the stock market is not a matter which concerns only the stockbrokers. It shows lack of confidence in the outlook for equities which the authorities cannot ignore for too long. It bears repetition that the success of the Unit Trust depends essentially on the existence of a bull market in shares. Holders of units in the Unit Trust can derive little comfort from the fact that these units are now quoted at Rs 10.45 because the effective price is that at which the Unit Trust will be willing to purchase these units. This price will have to be announced shortly. If the buying price is quoted 5 per cent below the sale price it will make virtual nonsense of liquidity and if the purchase price is much higher than the par value there is a danger of sizable dis-investment, particularly if the stock market continues to be in a depressed mood. The time is fast approaching when the Government will have to do something to revive confidence in the investment market. The abolition of the capital gains tax on bonus shares and suitable modifications in the dividend tax could go a long way in toning up the market without any cost to the exchequer.

Oilseeds

Prices Ease Further

GROUNDNUT and Groundnut oil spot prices suffered a further sizable decline last week, with oil moving down from Rs 24 to Rs 20 (per 10 kilograms) and groundnut from Rs 54 to Rs 46.50 (per 50 kgs). Not many weeks ago, oil had touched a high of Rs 33 and groundnut had been bid up to Rs 77. Prices staged a good recovery near the week-end on keen consumer inquiry for oil because of the festival season. Vanaspati manufacturers were also reported as keen buyers because of the attractive margin that groundnut oil offers at the current prices. Current vanaspati prices are based on the price of Rs 2500 per tonne whereas the prevailing spot price of groundnut oil is around Rs 2,050. Last week's decline in spot prices has very nearly removed the wide gap between spot and near forward positions. Further fall in spot prices has very nearly removed the wide gap between spot and near forward positions. Further fall in spot prices ward positions. Further fall in spot prices will henceforth have a significant impact on futures. Groundnut January contract was marked down to a new low of Rs 93.70 but it staged a brisk rally at the week-end and at its Wednesday's closing of Rs 94.40 the contract showed a net loss of Rs 80 paise per 100 kgs. Linseed and castor also drifted lower in sympathy on light but persistent bull liquidation and scattered bear pressure. After an early rise from Rs 182.87 to Rs 187.75 castor March declined to Rs 181 but rallied to close at Rs 182. Linseed March eased from Rs 40.12 to Rs 39.50. Cottonseed futures held fairly firm in sympathy with cotton though profit-taking pared a major portion of the early gain. The January contract which had been marked up from Rs 102 to Rs 106.25 declined later to Rs 104.25.

Evidence accumulates that New Delhi is determined to make available essential commodities at reasonable prices in order to mitigate the hardships of the common man. Strict control and rationing in foodgrains in big cities is under contemplation. Ordinance is being promulgated to deal with profiteers and the Prime Minister has hinted at summary trial of erring traders. Fortunately, the record crop of groundnut and the reported increase in area under sesame and mustard crops hold out the prospect of more plentiful supplies of edible oil at reasonable prices provided, of course, the Government does not commit the folly of allowing export of groundnut oil, not with liberal incentives any way and that also not until it is clear that the mustardseed crop has not been damaged by unfavourable weather. If the Government is really earnest about bringing down edible oil prices to reasonably low levels—a price of Rs 1500 to Rs 1600 per tonne for groundnut oil would seem to be quite reasonable—all that it has to do is to declare that it has no intention to allow export of groundnut oil and at the same time fix vanaspati prices for six months or a year at such levels which will not permit the manufacturers to purchase

groundnut oil at more than Rs 1500 to Rs 1600 per tonne. The Government should seriously consider the question of fixing maximum prices for groundnut and groundnut oil as in the case of foodgrains. Restrictions should also be placed on the holding of stocks of groundnut and groundnut oil beyond certain specified limits. It is hardly necessary to add that maximum prices should be fixed for all the major oilseeds, excepting castor which is primarily an exportable commodity.

Exporters did not report any important fresh business last week excepting in cottonseed cake which continue to evoke good interest. Groundnut extractions were virtually neglected but some business was reported in linseed extractions with Communist countries. Exports of Indian oils and oilcakes will not be affected by U K's decision to levy a surcharge of 15 per cent on all imports with effect from October 26. This is because imports from India have not been attracting any import duty and they will not therefore be affected by the 15 per cent surcharge. Locally, groundnut oilcake prices have registered a further decline during the week and prices are likely to ease further with the commencement of crushing operations by factories in course of time; arrivals of groundnut will be picking up considerably in coming weeks.

Cotton

Futures Rise, React

COTTON futures made a new high last week. But the going was by no means very easy. In pushing its way further up, the market seemed to have virtually exhausted all its strength. Jarilla March which had been bid up to Rs 744.75 on October 27 was sold down to Rs 737 the next day, though at last Wednesday's closing of Rs 740.50 the contract showed a further net gain of Rs 2.25 per 3 quintals over the week. Technical considerations alone could have produced the setback that occurred near the week-end as the market has had a very fast run recently. But it is quite possible that the week-end setback might mark the beginning of the end of the upward trend. It bears repetition that the recent spurt in cotton futures has been due essentially to strong bull manipulation and that reports of crop damage in Berar, Khandesh and the Punjab are highly exaggerated. If the crop had really been damaged in a big way, the quality of new crop arrivals from these tracts would not have been so very satisfactory as it is generally reported. It is not uncommon for market men to keep revising their estimates about the crop with the change in the mood of the market. Informed observers continue to maintain that the new crop is unlikely to be less than 63 lakh bales though earlier forecasts of a 67/68 lakh bales are considered to be too optimistic. Inquiries in the market indicate that speculation in cotton has assumed rather serious proportions in that half a dozen big speculators from the upcountry—U P is very much in the news—have between them accumulated bull positions to the tune of nearly two lakh bales. They have taken up this position despite a distinctly comfortable supply position resulting from a record carryover and a good harvest.

It is true that in the spot market new crop cottons are quoted very near the ceiling rates. But not too much need be read into this. New crop quotations have been firm mainly because the arrivals are still insufficient to appease the appetite of some mills which have somehow a craze for purchasing new cotton even when old cotton of good quality can be had about Rs 100 to Rs 125 a candy cheaper. But the scarcity of new cotton is unlikely to last for more than a few weeks. New crop arrivals will gather momentum after about the middle of November. Considering that the new season has just begun, it would be unreasonable to think that current high prices can be maintained for long in face of comfortable supply. If carrying charges were to be added to current prices, it would take prices well beyond the ceilings. Prices are bound to decline with the increase in the tempo of arrivals. How far the decline might go would depend to some extent on the size of imports during the current season about which very little can be said at present.

That a deputation of cotton growers and merchants of Gujarat should have approached the Union Minister of Commerce for help to dispose of some 20,000 bales of Digvijay cotton seems very odd in the context of the situation obtaining in the market at present. There is little sense in blaming the Government for the accumulation of stocks as a result of the restriction on the movement of Digvijay cotton which have long since been removed. The way cotton growers and merchants have been agitating against any decline in prices gives the unmistakable impression that they want the entire production to be disposed of only at the ceiling prices which is ridiculous. Ceiling is supposed to be the outside limit beyond which the rise in price cannot be tolerated. It is only when prices tend to decline to near the floor that the growers should seek official support. The complaint has often been heard in market circles that the co-operative societies with strong vested interests have been indulging in anti-social practices of hoarding and profiteering with the help of cheap credit.

Exporters did not report any important fresh business in Bengal Deshi. The prices offered by the Japanese buyers were stated to be 1d to 1½d per lb lower than the prevailing Indian prices. However, despite lack of fresh export business, Bengal Deshi prices firmed up considerably on upcountry mill buying and short covering by shippers. Near the week-end, prices eased, with the quotation for Bengal Deshi marked down from Rs 775 to Rs 758 per candy.

Money Market

Thursday Morning

THE short-term money market saw no exciting developments during the week which is not unusual for this part of the season. Inter-bank call money changed hands mostly at 1 per cent and was available after clearing hours even at 0.75 per cent. The money market in Calcutta was also uneventful with funds roaming about at 0.75 per cent. Similar quiet and easy conditions were reported in Madras too.

Though the conventional slack season is now practically at its end, it always takes two to three weeks before any sizable demand for funds sets in to create tighter conditions and raise money rates. As on October 19, bank credit was only fractionally lower than in the previous week and was more or less at the same level as it was a month ago. Aggregate deposits were also lower on that date by about Rs 4.75 crores than in the previous week. The decline has been going on for the last about three weeks. Scheduled banks' borrowings from the Reserve Bank increased by Rs 2.27 crores during the week to Rs 4.18 crores, but a week hence as on October 23, their borrowings were almost repaid leaving a balance of only Rs 44 lakhs. At the same time, their cash in hand and balances with Reserve Bank increased by Rs 13.94 crores although to an extent this was at the cost of their investments which fell by Rs 10 crores.

'Money at call and short notice' of

the banking system increased from Rs 69.72 crores and Rs 74.27 crores during the fortnight ended October 16. A year ago, it was about Rs 56.20 crores and the call rate was only 2 per cent. This reflects that a part of the surplus floating funds is now seeking employment in the call loan market and such employment at this part of the year, with no keen demand for funds, may provide a partial explanation for the easy spell in the market.

That there is a plentiful supply of funds is also evident from the current week's tenders for Treasury Bills which aggregated Rs 4.70 crores against Rs 2 crores invited. This overflow of funds has this week depressed the discount rate to 2.400 per cent from 2.500 per cent that was available for the preceding two weekly tenders. Sales of Intermediates also netted a very substantial amount of Rs 27.64 crores as against Rs 2.43 crores in the previous week and is a record for months. It is not unlikely that this might be the result of large maturities of previous bills seeking re-employment in the same source.

It will also be relevant to take into account the fact that the current slack season's contraction in bank credit representing the returnflow of funds between April 24 and Oct 16 has amounted to about Rs 131 crores compared with an expansion of Rs 377 crores in the preceding busy season from October 25, 1963 to April 24, 1964. The inadequate recovery of credit is however to a large extent made up by a rise of Rs 192 crores in aggregate deposits.

The prospect of a steeper rise in the demand for funds in the coming season cannot be easily visualised at this stage although the usual demand from industry and agriculture may continue more or less on the same scale as last year. But unlike last year when the busy season started with a liberalisation of credit policy by the Reserve Bank, based on the experience of the previous season, the current busy season is preceded by a revised, remodelled and restrictive credit policy which may not permit bank credit to expand on anything like last year's scale. Even otherwise, borrowing will be limited on account of the rise in the lending rates as a sequel to the higher Bank Rate.

Against this background, it is quite likely that every individual banking unit will now be prepared to keep adequate funds with it without being tempted to lend in order to maintain the higher overall liquidity ratio now insisted on. As a result, not only will new advances be curbed and limited to the respective sustaining capacity of lenders, but recall of excessive credits given earlier will also be inevitable. This will further satisfy the official policy of keeping credit within desirable limits. Viewed from these angles, the pressure on the call loan market will remain limited and may not lead to convulsive movements.

Scheduled banks' balances with the Reserve Bank have come down by Rs 8.56 crores during the week but against this, their borrowings from the Reserve Bank have gone down by Rs 3.55 crores and scheduled banks owe only Rs 44 lakhs to Reserve Bank as on that date.

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CURRENT STATISTICS

BANKING RETURNS

(Rs crores)

Reserve Bank	Oct 23	Oct 16	Sep 25	Oct 25, '63
1 Note circulation	2409.29	2437.93	2363.26	2251.38
2 Rupee coins	106.72	105.69	110.18	120.68
3 Deposits				
(a) Central Govt	83.45	54.13	61.33	47.97
(b) Other Govts	12.59	15.66	15.08	14.80
(c) Banks	104.12	112.10	103.34	120.57
(d) Others	137.99	141.88	137.23	161.13
4 Loreign securities	85.46	85.46	85.46	92.46
5 Balance abroad	8.76	9.13	12.17	9.94
6 Rupee securities	2121.17	2136.16	2086 13	1939.31
7 Investments	107.01	107.30	78.35	236.79
8 Loans and Advances to Govts	73.19	67.52	54.11	63.48
9 Other loans and advances	164.12	167.87	160.80	138.79
Scheduled Banks	**Oct 16**	**Oct 9**	**Sep 18**	**Oct 18, '63**
1 Aggregate deposits (net)	2510.79	2515.54	2489.99	2216.07
Demand (net)	1173.24	1162.31	1126.83	962.80
Time (net)	1337.55	1353.23	1372.15	1253.27
2 Cash in hand	65.91	61.76	63.61	56.98
3 Balance with Reserve Bank	104.46	94.68	94.68	75.20
4 (2)+(3) as % of (1)	6.79	6.22	6.33	5.96
5 Borrowings from Reserve Bank	4.18	1.91	0.88	1.94
(a) Against usance bills and/or promissory notes	1.78	0.01	0.21	-
(b) Others	2.40	1.90	0.67	1.94
6 Advances	1459.58	1463.67	1479.44	1246.51
(a) State Bank	311.55	310.26	313.10	236.60
(b) Others	1148.03	1153.41	1166.34	1009.91
7 Bills discounted				
(a) Inland	182.74	181.21	167.91	173.10
(b) Foreign	73.48	71.00	68.78	56.39
(c) Total	256.22	252.21	236.69	229.49
(i) State Bank	17.76	17.32	19.30	14.95
(ii) Others	238.46	234.89	217.39	214.54
8 (6)+(7) as % of (1)	68.34	68.21	68.87	66.60
9 Investment in Govt Securities	817.64	827.67	796.22	759.09
10 (9) as % of (1)	32.57	32.90	31.86	34.71

BOMBAY MONEY RATES

(per cent)

	Oct 16	Oct 9	Sep 18	Oct 18, '63
Call money from Banks	2.31	1.87	2.25	2.37
Deposits				
Seven days	—	—	—	3.00
Three months	4.00	4.00	—	3.50
Six months	4.50	4.50	3.75	3.75

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Group and Sub-Group	3.10.64	26.9.64	5.9.64	3.10.63
Food Articles	*172.2*	*171.5*	*166.6*	*139.8*
Cereals	151.9	152.7	146.9	118.4
Pulses	188.7	184.7	167.4	112.4
Fruits & Vegetables	185.9	183.5	180.4	118.7
Milk & Ghee	145.7	143.1	145.3	129.4
Edible Oils	232.4	228.2	208.6	154.5
Fish, Eggs & Meat	165.5	173.3	180.5	145.0
Sugar & Gur	212.5	213.7	209.6	219.7
Others	182.1	179.8	185.6	179.8
Liquor & Tobacco	*133.0*	*131.1*	*130.0*	*118.7*
Tobacco	130.8	128.8	127.6	115.8
Fuel, Power, Light & Lubricants	*143.5*	*143.5*	*143.4*	*139.1*
Industrial Raw Materials	*170.9*	*170.8*	*168.4*	*139.8*
Fibre	144.3	142.6	151.6	130.7
Oil Seeds	219.3	220.9	206.0	159.8
Minerals	103.7	103.7	103.7	91.5
Others	135.0	135.0	133.6	122.4
Manufactures	*137.9*	*137.2*	*136.5*	*131.2*
Intermediate Products	*152.0*	*151.8*	*150.2*	*138.9*
Finished Products	*135.5*	*134.8*	*134.2*	*129.9*
Textiles	133.8	132.8	132.2	128.1
Cotton	136.7	136.7	136.3	135.8
Jute	123.5	118.3	116.7	102.3
Woollen	169.2	169.2	169.2	156.6
Silk & Rayon	133.7	136.3	136.3	137.3
Metal Products	*169.1*	*169 1*	*169.0*	*163.7*
Chemicals	120.5	120.5	120.4	117.0
Oil Cakes	202.8	198.7	194.7	165.3
Machinery & Transport Equipment	127 1	127.1	127.1	124.2
Others	127.8	127.8	127.8	128.4
All Commodities	*160.4*	*159.8*	*156.7*	*136.8*

ELECTRICITY GENERATION AND DISTRIBUTION

(Million kWh)

	June '64	June '63	Jan-June '64	Jan-June '63
Electricity Generated	—	1,992	11592*	11861
Electricity Sold				
Domestic Consumption	163.5	146.2	752.3	870.8
Commercial	101.2	84.4	580.4	501.1
Industrial	1357.1	1,186.7	8134.5	7076.6
Public lighting	21.8	19.5	135.2	119.7
Irrigation	64.7	62.9	379.4	359.9
Traction	124.8	104.9	680.0	588.7
Public Water Works	67.8	43.9	281.6	289.4
Total	1900.9	1,648.5	11141.4	9806.2

* Does not include for June.

Source: Central Water and Power Commission, Ministry of Irrigation and Power.

JOINT STOCK COMPANIES

New Registrations and Liquidations

	July '64	June '64	July '63	1963
Incorporated and Registered				
No of Companies	117	113	89	104
Authorised Capital*	23,23	26,14	12,39	17,77
Ceased to work				
No of Companies	49	67	97	63
Paid up Capital*	56	40	52	58
Overall variations in paid up Capital of all Companies	—	—	+ 23,26	+ 15,31

* Capital in Rs Lakhs

Source: Ministry of Finance.

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By their Attorney
S. Panchapakesan, B.A.LL.B.,
Advocate, High Court,
1363, Bombay 19.

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America's Choice

THAT his fellow Americans would choose to retain for Lyndon Johnson his White House inheritance was never in serious doubt. The outcome could be foreseen months before the Republican nomination was settled, even as the shock of Dallas began to wear off. If the history of American Presidential elections has made anything clear, it is that, given a record of reasonable success, it is extremely difficult to wrest the office from the party in power—witness Kennedy's narrow victory in 1960—and practically impossible to wrest it from an incumbent—witness Dewey's defeat in 1948 and Stevenson's in 1956. In retrospect, one wonders if perhaps this spectre of impending defeat oppressed the Republican Party as it prepared to choose its nominee. However, there were various other factors that fragmented leadership in the Republican camp—maverick tendencies, recalcitrant ambition, even a degree of apathy and an irrational fear of liberalism. In Barry Goldwater's brand of conservatism, the Republicans believed that they had found the most clear-cut alternative to the Democrats' "mixture as before". But whether the alternative was acceptable to the American people was another question. Hence it was that Johnson's aim not merely to win but to win by an overwhelming majority, to prove to his country and to the world that the spark of extremism that undoubtedly exists in the U S has been contained, if not quenched.

In the weeks between nomination and polling day, Goldwater found it increasingly difficult to elaborate the "choice not echo" theme and to spell out the precise nature of the alternative he was offering while yet reconciling it with the manifold requirements of leadership in the modern world. He had, perforce, to resort to well-worn themes like "true American values" and broad generalities such as greater decentralisation and depend heavily on the morality issue. Johnson's own job in the contest was hence relatively easy; he had, in the main, merely to let Goldwater have his say. So the campaign progressed, flat, tiresome and starkly provincial, in strange contrast to the style, the depth and the drama of 1960. And as the campaign progressed, political analysts and pollsters came up with various projections of the election results which all agreed in predicting a resounding victory for Johnson. Conceivably, these predictions might themselves have influenced the final actions. The phenomenon of 'elasticity of expectations' is no doubt operative in politics also and an indeterminate, and indeterminable, number of persons probably voted for Johnson principally because of the conviction that he was the winning candidate.

But Johnson's victory is far too spectacular to be explained by these factors alone. Winning by the largest majority ever, bettering the 1936 record of the great FDR, is in itself impressive. Even more so is the fact that the preference for Johnson cut through almost all the usual voter groupings. He carried such established Republican strongholds as Vermont—gone Democratic for the first time—and the states of the mid-west—where Nixon led and Eisenhower swept through. New York, the most populous State of the Union, was carried by a margin of 2.4 million bettering Eisenhower's 1956 record margin of 1.6 million. Johnson apparently got the suburban vote, which generally favours Republicans, the city vote, the farm vote, the labour vote and the industry vote. In fact, the only cleavage that he failed to transcend was geographic, losing five States in the deep South, which would seem to indicate that the only issue that this election has left open is the one to

which neither candidate was anxious to emphasise during the campaign—that of civil rights.

Ironically, Johnson is a Southerner and the South is traditionally Democratic. In fact, Georgia, which was a surprise win for Goldwater, gave Kennedy in 1960 a higher proportion of its votes than any other State except Rhode Island, in Kennedy's native New England. Since then, of course, a great deal has happened to embitter the South. Goldwater's vote against the civil rights bill in the Senate, though sought to be counterbalanced in the Republican platform by the solemn pledge of "full implementations and faithful execution" of the Act, doubtless won for him the Southern white vote. But equally did it lose for him the Negro vote and the liberal vote.

For the Democrats now the sparkling record of success in the Presidential race has to be viewed together with the tally in the Congressional and local contests. This is a somewhat sobering exercise. Although they have been able to increase their majority by about 40 in the House of Representatives, their success in the Senate, which is of far greater significance, is less pronounced. Of the 35 Senate seats contested, Democrats were defending 26 and Republicans 9—and the final tally changes the position by shifting only one seat to the Democratic side. In the gubernatorial contests in 25 States it is honours even and the net position is unchanged. While firm pronouncements must await further analysis, it seems that while there has been considerable ticket-splitting, there has also been rather less "coat-tail riding" than anticipated.

To sum up, the election verdict appears, therefore, not so much a victory for the Democrats as a victory for Johnson. And spectacular statistical evidence notwithstanding, it appears also not so much a victory for Johnson or his programme as a personal defeat for Goldwater and the attitudes and policies he stands for. Goldwater has proved to be the least inspiring candidate ever put up by the Republicans; the American people have judged him and his ideology to be not only outmoded but even positively dangerous. It is this implication of America's choice of President which will be most eagerly and hopefully grasped by the world.

Cheaper Export Finance

THE cost of export finance has been engaging the serious attention of Governments of developed as well as developing countries. In Japan export finance costs 2 to 3.75 per cent less than domestic finance. In U K the cost of medium term export credit has been pegged to 5.50 per cent per annum. In India, too, the subject has attracted much attention; in the past three years two committees had studied the problem and now a third study group, under the chairmanship of S P Chablani, Managing Director of the Export Credit and Guarantee Corporation, has submitted its report, recommending a number of far-reaching measures to reduce the cost of export finance.

Of the total 'on demand' bills for exports negotiated by banks, sterling bills account for about one-half, rupee bills for about one-third and dollar bills for one-sixth. Of the negotiated usance bills, sterling bills account for about three-fifths and dollar and rupee bills for about one-fifth each. As exchange rates for usance bills in foreign currencies are worked out on the basis of the interest rate prevailing in the importing countries, the cost of export finance in India generally works out higher than the domestic advance rates. Keeping these rates linked to the domestic rates of the importing countries has affected our exports, even though interest forms a comparatively small percentage of the total cost of exports.

The Chablani Committee has recommended, therefore, that this link should be broken through the institution of a ceiling of 6 per cent on the rate on export finance. In the London discount market, usance sterling bills carrying endorsement of Indian banks can be discounted as fine trade bills whereas bills carrying endorsement of foreign banks can be discounted as prime bank bills. As the discount rate for fine trade bills is higher than that for prime bank bills, foreign banks enjoy a considerable exchange benefit with the rupee/sterling exchange as fixed by the Foreign Exchange Dealers' Association of India as it is based on the London discount rate for fine trade bills.

After the Second World War resort has often been had to manipulation of the Bank Rate as part of policy for curing balance of payment deficits. The consequent rise in the cost of export finance has worked against India's exports. The impact of export incentives has often been eroded by rise in the cost of export finance. The ceiling of 6 per cent recommended by the Study Group will partially delink the cost of export finance from discount rates prevailing abroad and to that extent improve the competitive position of Indian exports.

The Study Group has also considered a situation where the domestic rate may be higher than the discount rate abroad, as in the U S A. In such a situation if interest is determined according to the lower rate ruling abroad, Indian exporters get the benefit of these rates. The Study Group has suggested, therefore, that banks should be allowed to discount export bills abroad and pass on the consequent benefit to exporters, rather than obtain refinance at a higher rate in India. In an appendix to the Study Group's report, two examples are given of the working out of the rates for purchasing 90-days dollar usance bills. In the case of Bank A the interest for the usance period is shown at 4 per cent, the discount rate in the USA, whereas in the case of Bank B it is calculated at 6½ per cent on the basis of the domestic rate in India. Foreign banks who can obtain discount facility in the U S can quote the rate prevailing there and thus give the benefit of the lower rate to the exporter by quoting higher rupee proceeds (Rs 470.75 for $100). Indian banks, on the other hand, have to carry the dollar bills in their books till the maturity dates. Hence they must quote the interest rate ruling in India and consequently their quotation of the rupee proceeds of such bills (Rs 466.86) is less than that of the foreign banks.

In September 1956 dollar and other currency rates were freed to enable banks to quote rates independently. The Study Group seems to be surprised that even after 8 years of such freedom, competition has not reduced the disparity among the banks in the quotations for usance bills in foreign currencies. However, it should have been obvious to the Group that as long as the two groups of banks based their quotations on two different interest rates, one on the rate prevailing abroad and the other on the domestic rate, differences in their quotations would persist. The Foreign Exchange Dealers' Association of India cannot quote one rate for usance dollar bills as long as banks are allowed the option of either obtaining refinance in India or discounting such bills abroad. If the Study Group intends banks to be given the freedom to resort to either of the two sources for reimbursement, their recommendation that the FEDAI should quote one rate for usance dollar bills

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The Study Group makes a conservative estimate of the requirements of pre-shipment finance at Rs 150-175 crores. The exclusion of such a large amount from the operation of credit control measures is bound to have serious implications for the Reserve Bank's monetary policy and so the Group has recommended that refinance at the lower rate may be provided only on the increase in banks' loans to exporters over those in a 'base' period. The Group has also recommended a ceiling rate of 1½ per cent above the Bank Rate for such loans by banks, giving the banks a better return to compensate for the greater risk involved in pre-shipment financing.

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The Chief Ministers have made it clear that they do not like rationing; it does not seem to be the organisational problems alone, serious as they are, that explain their hesitancy. Is it the fact that rationing implies a commitment to supply the stated quantity that is scaring the State Governments? And how can rationing be enforced in the absence of a proper procurement policy? The harvest season is already on and yet no procurement policy is in sight. The earlier hope that a belated decision maybe taken at the Guntur session is now disappearing. Given a minimum period of time for the procurement operations to get under way, there is every danger that procurement will commence after a substantial part of the crop has moved from the producers (one can always blame the trade again). Too little would be done and too late.

The same goes for the Foodgrains Trading Corporation, now re-christened as the Food Corporation of India. If the Government is earnest that its operations should commence in January it is time the organisation of the Corporation were taken in hand. Introducing a bill in the next session of Parliament, rushing it through and setting up the Corporation in this hasty manner is hardly the right way to begin. There are still a number of loose ends to tie up. What would be the relation of the Corporation's activities to the procurement to be undertaken (or which we hope will be undertaken) before January? Is the Corporation whose authorised capital is reported to be Rs 100 crores going to depend on the Central Exchequer for funds? How will the Corporation, in the absence of powers of requisitioning, ensure an adequate build-up of stocks — by falling back on procurement by Government, by bidding up prices (and inviting additional draft on the Exchequer for subsidy operations to keep retail prices down?) or by playing the market (assuming it has the technical expertise to do it — which one doubts)?

The confusion that prevails over so vital a matter as food policy is a crying shame. From the past performance of the State Governments and their unvarying narrow attitudes, a strong case can be made out for taking over the departments of Food and Agriculture from the authority of the States and treating them as a Central subject. In the wranglings between the Union and State Ministers and in their incompetence, if not irresponsibility, it is the people that suffer. No people — not even the long-suffering Indian people — will be tolerant all the time.

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highly embarrassing diplomatically. America is committed to propping up some regime or other in S Vietnam which clearly has not the confidence of the people. Anti-American feeling runs high in S Vietnam itself and there is permanent antagonism with neighbours such as Cambodia and, of course, China.

America is continually exposed to the hazards of supporting whatever is the current regime in S Vietnam. If the regime plays its hand carefully the U S can be pushed or hoodwinked into many explosive situations. This happened in the Gulf of Tonkin incidents in August, followed by the U S bombing of N Vietnam patrol boat bases. That the incidents were triggered off by S Vietnam itself, without the knowledge of the U S became clear later on. America is always vulnerable to the hazards of being pushed into full scale war with N Vietnam and possibly China more or less by default.

American strategy in S Vietnam itself has been painfully inadequate, and the Viet Cong have been steadily gaining ground. The Viet Cong guerrilla tactics, always based on the support of the local population, leave the S Vietnamese army, and its American advisers, with no effective answer. Without the support of the local population, in spite of army promises of protection, large areas are virtually inaccessible to the Americans.

America has been coming round to the view that outright victory in S Vietnam will never be achieved, although it is unlikely that she will suffer outright defeat either, for some time to come. The hopes are for a negotiated settlement with the communists. Whether this will be achieved before an all out war begins in Indo China remains to be seen.

The Johnson administration has been accused of softness by its opponents in the U S and the timing of the Viet Cong attack, just before the U S Presidential election, added fuel to the opponents' fire. Pressure on Johnson to attack N Vietnam has certainly increased. The present American policy will have to be changed if there is to be any hope of peace. The policy of supporting any anti-communist regime in the hope of defeating the Viet Cong will not obviously come to anything. Even after the present struggle for power in Saigon is finally resolved, it is obvious that a conference to discuss disengagement on both sides is the only hope for any lasting peace in Vietnam in particular, and in Indo-China in general.

Worthless Code

IS the code of conduct for (Central and States) Ministers really designed to put an end to Ministerial corruption ? The framers of the code no doubt expect it to be believed that it will. The truth, of course, is that the code is not worth the paper it is written on.

To take one of the "don'ts" laid down : A Minister and his family are forbidden to accept any valuable gifts. Family is defined to include only wife (or husband), minor children and wholly dependent relatives. Hence, if an adult and independent son accepts valuable gifts, that would be permitted by the code. Again, a Minister is not permitted to own or manage a business concern which supplies goods to the Government or whose business primarily depends on licences, permits, quotas, leases, etc; but any adult member of his 'family' or any adult relative can own and manage such a business concern.

By defining family in a manner relevant to modern Western societies the code has defeated its purpose. For most Indian families, the network of family interests, rights and obligations is not confined within a narrow family as understood in the West (and as defined in this code) but extends to adult and 'independent' sons and daughters and the various in laws. Indeed, the kind of relationship which existed between Pratap Singh Kairon and his son will not be against this code. This is so especially because the text of the code does not specify that a Minister must ensure that no relative of his trades on his influence for private advantage. It may be often difficult for a Minister to ensure this, but then it should be incumbent on him to let it be known when matters are brought to his notice that the relative in question does not exercise any influence with him.

The code permits Ministers to continue using their influence to collect funds for a political party, or a registered society, etc, provided the funds are sent to the organisation concerned. This is another important lacuna in the code. For one thing, for Ministers to solicit funds for their political party is undemocratic because it puts their party in a position of advantage over others. This is obvious from the fact that if Ministers are no more effective in raising funds than politicians not holding office, then the authorities formulating the code would presumably have been persuaded to forbid Ministers to collect funds. And to take the other aspect of the matter, surely it will not be denied that, given the present condition of the Indian society, any person or body making a large donation to the political party in power expects to have some vague or not-so-vague influence with the Government, and also expects that influence to be stronger if the donation has been made through a Minister ?

If the code had only the foregoing defects it would already be worthless, but as if they were not enough, it also stipulates that unless the Prime Minister, the Home Minister or a Chief Minister wills it there can be no investigation of a Minister's conduct. In this respect the situation will be exactly the same as it has been since independence; no matter how many MPs or MLAs suspect a Minister of corruption, no matter what the evidence they have collected, if the Prime Minister or a Chief Minister chooses not to be impressed, there can be no judicial investigation of the Minister's conduct.

The Santhanam Committee had recommended that if 10 MPs or MLAs make a formal allegation against a Minister, the case should necessarily be investigated. If 10 was considered too small a number to prevent the possibility of frivolous or malicious allegations, the number could have been raised to 20 or 30. It has been argued also that automatic investigation of charges might encourage factionalism in the States. But to the extent factionalism results from suspicions that members of the ruling group are amassing personal fortunes and from the consequent jealousy (and most honest observers would agree that this is the basic cause of factionalism in the Congress), a quick, efficient and effective machinery for investigating all serious allegations might be the best remedy for the disease.

U K's Import Tariff

NEVER particularly strong since the last World War, Britain's balance of payments had been fast heading for a crisis during the last few months. It seemed that the year would end with a total deficit of no less than £700 millions on current and long-term capital transactions. Though there had been a large outflow of capital in the weeks preceding the election, the more important cause of the continuing diffi-

culties in the balance of payments are to be found in the current account.

Over the last many years, Britain's share of world trade has been falling for the basic reason that her exports have been more expensive than her competitors'. For the same reasons, there has been a steady increase in imports of manufactures into Britain. In other words, the problem is not just financial—to be tackled by higher interest rates—but more basic. Britain needs to, somehow, greatly increase her exports while keeping her imports more or less constant for sometime.

Left to themselves, such changes take a long time, and even run the risk of never really taking place. Since Britain's balance of payments deficit was mounting so fast, something had to be done immediately. Harold Wilson's Labour Government, has announced as temporary measures a 15 per cent surcharge on all imported manufactures, and an average subsidy, through indirect tax rebates, of 1½ per cent for exports. As a means of producing quick results, the surcharge on imports is likely to be the more effective of the two. There is already news of a number of British importers cancelling their orders with foreign exporters. Export incentives will be perhaps a little slower in producing results. A possible alternative to an import surcharge—a system of import quotas and licences—would have required a longer period of initial preparation; moreover, the working of such a system in most countries has not been encouraging.

The action of the British Government has provoked some criticism at home and a great deal abroad. The criticism at home has been that, unless the import surcharge is really temporary, it will have a protectionist and hence unhealthy effect on British industry. The 15 per cent surcharge has in effect doubled the average British tariff, and has thus provided substantial protection. It is argued by the critics that a better policy would have been to take no particular action on the imports front, but to greatly subsidize exports. This would have helped to make British industry more export-minded and to increase world trade.

The paradox is that if the British Government had followed the policy suggested by the internal critics, the vehemence of the external criticism would have been greater than it is now. The G A T T agreement has been violated by the import surcharge; any substantial export subsidies would have violated the letter of that agreement even more seriously. There is reason to believe that the British Government was guided by the advice of international monetary experts who expected import restriction to face less severe criticism than export promotion from the Council of the G A T T. This shows up the anomaly in the G A T T agreement, to the extent that bigger world trade is a good thing.

There has been plenty of the expected criticism from the Council of the G A T T, and from some individual countries. The former has appointed a 12-member group to study the British action and report to it. The American attitude has been one of tolerance, provided the import restrictions are really temporary. This is significant, considering that the import surcharge will affect 40 per cent of U S exports to Britain. The worse affected are the European Common Market countries, 57 per cent of whose exports to Britain will be touched. Of the E F T A countries' exports to Britain, 37 per cent will be affected. However, the affected exports of all these various groups of countries amount to only 2-3 per cent of their world exports. Because the import surcharge is on manufactures, Commonwealth and the other less-developed countries are the least hit by them; only 13 per cent of their exports to Britain are affected.

If Britain's exports are to increase, or her imports are to decline, it has to be at the cost of some other countries. Few would deny that given the near-crisis situation in Britain's balance of payments, her Government had to take some drastic steps. Provided the measures taken are really temporary, most critics would be satisfied. It may well be that by the time—after two or three months—the Council of the G A T T can give an unfavourable formal verdict on the British measures, they would have done their work and the British Government would be in a position to revoke them.

Dangerous Precedent

It is not difficult to guess what provoked S K Patil's statement on the future of Goa. The ruling Maharashtrawadi Gomantak Party has been considering moving a resolution in the legislature pressing for Goa's merger with Maharashtra which was their main plank in the 1963 elections. Twice in the last two months the introduction of the resolution was postponed, partly because of differences within the party but largely because of pressure from the Government of India. Only last month the Union Minister for Home Affairs, Jaisukhlal Hathi, had gone to Panjim for discussions with the Goa Chief Minister and his colleagues. He got the assurance from the Goa Government that it would consult the Central Home Minister before moving the proposed resolution. Subsequently it would appear that the Goa Chief Minister gave in to pressure from his party; he has now announced his intention to introduce the resolution in the legislature in January.

It is thus clear that the Centre had made its views on the future of Goa known to the Goa Government. In spite of this, the latter has chosen to provoke public controversy on the matter. In the circumstances a clear statement of the Centre's views on the matter was necessary, though the resultant situation points to the considerable potential for conflict that there is in our federal constitution should a genuine multi-party system ever develop in the country. Patil's announcement is, however, open to criticism on two counts.

In the first place, the choice of S K Patil to make the policy statement was hardly appropriate. The decision on Goa's future is the Central Home Ministry's and so either Gulzarilal Nanda or one of his junior Ministers should have been the one to make the statement. Patil's connection with Goa has been as a party-man, as AICC's nominee to organise the Goa Congress Party's disastrous election campaign in 1963. The Government's official policy statement on Goa's future should have shown greater regard for the distinction between the Government of India and the Congress Party.

Second, and very much more important, the promise of a referendum in 1973 to enable Goans to express their views on their future, contained in Patil's statement, is thoughtless, to say the least. It is doubtful whether the implications of setting a precedent acknowledging the right of the people of a region to decide their future through a referendum were fully considered before the offer was made. On more than one occasion in the past the Govern-

Capital View

Romesh Thapar is abroad. Capital View will not appear till his return.

—*Ed.*

ment of India has rejected similar demands in other parts of the country. The exception sought to be made in the case of Goa is dangerous.

It is also unnecessary, since the Goans *have already had an opportunity to express their views on Goa's future—an opportunity which was made full use of since the future status of Goa was the main plank of all the three major parties which contested the elections in* 1963. What is ironic is that it was Union Territory *status—which the* Goans are now being forced to accept for the next ten years at least—that was unequivocally rejected by them in the elections.

Johnson's Opportunity

A Correspondent writes:

THE unprecedented margin of Lyndon B Johnson's victory in the American presidential election is probably the most significant result of the contest. Few observers doubted that Barry Goldwater would be defeated at the polls, particularly after a lackluster campaign and a number of international events which played into Johnson's hands. But few predicted the size of his defeat, which was one of the largest in this century. There were a number of factors which led to the President's landslide victory. The extremism of Goldwater was in sharp contrast to the moderation of Johnson's campaign. Johnson's approach, which was essentially non-partisan in its appeal to all segments of the population, alienated as few people as possible. The disappointment caused by the President's lack of specific suggestions was nothing compared to the antagonism caused by the Republicans' opposition to social legislation and their advocacy of a wreckless nuclear strategy. The deep split within the Republican Party itself was countered by a Democratic organization more united than ever, although a large section of the conservative Democrats supported Goldwater. Important minority groups, such as the negroes, supported the Democrats by margins of up to 90 per cent.

The President's landslide victory makes him one of the most powerful chief executives in recent American history. In addition to his huge majority, he swept a large number of liberal Senators and Congressmen into office who can be relied upon to support his programmes in the coming session of Congress. Thus, more than ever before, American policy will rely directly on the personality and programmes of the President. Johnson has been skillful in the Senate, and it is just such skill which will be needed in the coming months.

The Democratic Party will have one of the strongest majorities in both *Houses of Congress in its history. Two-thirds of the Senate will be Democratic, and Johnson's party will have about 339 seats in the House of Representatives against only 135 for the Republi*cans. The composition of this majority is of importance, since party labels in American politics often make little difference. The "liberals", mostly from the Northern and Eastern industrial areas, have picked up a number of important Senate seats, and it is likely that the Senate will be more enthusiastic about *the President's legislative programme than it was under the late President Kennedy.*

The election proved that Goldwater's right-wing extremism appeals to a minority of the American people, and his

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ideological stance cost many of the more moderate Republicans their jobs. Keating in New York is the most prominent example, and a number of other governors and senators were defeated by the Goldwater "image". The election also saw a few surprises, notably the election of former dancer George Murphy to the Senate from California over the late President Kennedy's able press secretary, Pierre Salinger, and the victory of Republican Robert Taft Jr over veteran Senator Stephen Young in Ohio. A few other Republican moderates were able to win the election with narrow margins, such as George Romney (a likely Republican presidential candidate in 1968) as Governor of Michigan. However, it is clear that Republicans such as Charles Percy, running strong for Governor in Illinois, Wilkinson, running for the Senate in Oklahoma, Beall, running for the Senate in Maryland, and others lost in closely contested races because Goldwater headed the ticket.

It is doubtful that the 1964 election has destroyed the two-party system in the United States, if such a system ever existed in the sense of practical politics. The election has gone far in creating a multi-party system in the South. Republicanism, it is true, has been severely defeated in the North; however, if the moderate elements can wrest control of the party from Goldwater forces, it will be possible for them to rebuild their organization. The powerful Republican organizations in the moderate Northeast did not work actively for Goldwater, and their inactivity cost him (and other Republicans) hundreds of thousands of votes in key states. Despite their utter defeat at the polls, it will be difficult to dislodge the Goldwaterites from their key positions in the Republican hierarchy, simply because of the operation of party procedures. Indeed, moderate elements may have to wait two years to purge the present leadership.

Johnson will be under much pressure from the liberal elements within his party to forcefully champion a liberal domestic programme in the coming period. It was the liberals who went far towards electing him, and the presence of Hubert Humphrey, one of the Senate's most intelligent and articulate members, on the Democratic ticket, proved a popular choice in the crucial Midwestern farm states, which are normally Republican but have been swept by the Democrats in this election.

Johnson is not a liberal himself. He has a just reputation as a skillful politician and parliamentary manipulator. It remains to be seen whether he will try to implement a clearly liberal programme. His strong roots in the New Deal and the importance of liberal advisers and powerful liberal elements in Congress will pull him in this direction. But Texas traditionalism and lack of ideological commitment will also influence his actions. Lyndon Johnson is a political pragmatist in the best traditions of the American political system. Whether he can formulate a progressive and imaginative programme at a time of crisis is the big question.

It will be possible to watch for a number of key indications of the drift in American policy in the coming months. The naming of a Cabinet, probably immediately after the first of the year, will be a key factor, for the Cabinet has wide responsibilities in policy formulation. The role of the Vice-President, Humphrey, will also be vital, for he is a key liberal spokesman. Finally, the decisions that the President makes in the immediate future will be an important indication of future trends, for there are a number of issues, particularly in the area of foreign relations, which demand immediate attention. American policy in Vietnam and with regard to the multi-lateral nuclear force require quick decisions, and such domestic programmes as the War on Poverty, civil rights legislation, and other social welfare measures will be a test of the new administration.

Possibly the coming months are even more crucial than the pre-election period, for now President Johnson has a clear mandate from the American people and has been given a sufficient legislative majority to carry out his programmes. The depth of his analysis of major issues and the image which he builds up for himself in the coming months will prove crucial, not only to the United States but to the rest of the world as well.

From the London End

Selling to China

THE Labour Government's White Paper on the economic situation has highlighted the fact that the balance of payments deficit at the end of this year may well be as high as between £700 million and £800 million. The unpopular 15 per cent surcharge on imports of semi-manufactured and manufactured products into the U K markets is one side of the medal; the other side is an increased export drive and this makes the present British Trade Fair in Peking particularly important. The great interest that the present Government is showing in this Fair suggests that they intend to make special efforts to establish themselves in one of the few "new markets" which are available. Shortly after his appointment as President of the Board of Trade, Douglas Jay flew out to Peking to open the Fair. Jay is the first British Cabinet Minister to visit China since the war. He pointed out that the present level of British trade with China was "ridiculously low" and based "not on economic potential, but on the political isolation we have all been suffering from".

China's overall trade turnover has fallen from a peak of £1,500 million in 1958 to £900 million, but it is thought that it will soon be back to the 1958 level. In that year, China did two-thirds of her trade with the Soviet group of countries, but now two-thirds of it is with the West. This is what makes China particularly attractive as an expanding market for Western goods. U K exports to China in 1958 totalled only £13.1 million. As compared with this figure, they amounted to £12.2 million in the first eight months of 1964.

China is suffering from lack of modern machinery and processes which could help her in her development. The sophisticated machinery required to produce fertilisers and other agricultural aids which China will need to develop, can be obtained only from the Soviet Union or from Western industrialised countries.

The Fair itself is to last for two weeks and over 230 British firms have sent out capital goods equipment ranging from heavy transport to machine tools, plastics and fertiliser equipment, and some £1,300,000 of equipment for demonstration purposes alone. The list of goods on show has been checked and rechecked with the Chinese Government in order to ensure that they were fully satisfied with the range of equipment to be demonstrated. Since the Chinese are only interested in capital goods and equipment, consumer goods have been rigorously excluded from the list.

Another distinctive feature of this *Fair is that it will not be open to the general public, but only to holders of tickets which have been issued through* Government departments. Thus, only *selected* members of Chinese technical and purchasing institutions will visit the Fair, and any trade deals which ensue will be made on the spot with the half dozen or so official purchasing organisations.

How soon will Britain feel the effects of this Fair in increased orders from China? This is a difficult question to answer, particularly as the present drive concerns mainly heavy capital goods, orders for which cannot be expected to flow in immediately. Again such orders necessitate prolonged periods of bargaining and negotiation on specifications. The target set by the organisers themselves is for an eight-fold increase in exports to £100 million a year.

How large the orders will turn out to be must, of necessity, depend on the export credit facilities which the British Government is able to offer the Chinese. For, the amount the Chinese themselves have available for overseas purchases is strictly limited. Although no exact figures are available, it is understood that the loss of trade and aid from Russia has left a gap of approximately £200 million a year. However, once China has paid off her outstanding debts to Russia, this will release more money for purchases abroad. The size of China's foreign exchange resources available for imports depends very heavily on Chinese harvests. In recent years, particularly over the past five years, China has been forced to import annually some £100 million a year of wheat, and no reduction in this figure is expected. On the credit side, China has recently been exporting annually £50 million worth of rice and her growing trade surplus with Hong Kong, which is at present running at approximately £100 million a year, will also help to swell imports. In the past, China has also been able to raise foreign exchange through sales of silver, but recently, despite the high world price of silver, China has not been making many sales.

In the field of export credits, Britain may well have a trump card. Recent developments in export credits including such items as financial guarantees have extended both the scope and the duration of export credits. British financial institutions are more willing to spread their resources to develop the export trade if they are backed by the Export Credits Guarantee Department. One of the measures *contemplated by the Labour Government is a thorough survey of export credit facilities,* and *special* concessions may well be made to encourage *trade with China, particularly in view* of the fact that it is a growing market for capital equipment and one which could thus do much to help Britain's balance of payments.

Two other industrialised countries deeply interested in promoting exports to *China include* France and Japan. France will certainly put up a hard fight to obtain a foothold in this expanding market, and this was one of the reasons for President de Gaulle's recognition of China. Only a month ago, France sold two freighters to China. As far as Japan is concerned, her prices can be particularly competitive, especially in such items as shipbuilding. Again, Japan has the great advantage of being close to the China market. Britain's main advantage will therefore lie in the extended export *credit terms she is prepared to offer* the Chinese.



Letter from Tokyo

The Olympics

AS the flags of Greece, Japan and Mexico were raised over the 75,000 spectators in the closing ceremony of the Olympic Games, most of the participants felt that a really important and memorable Olympics had been completed. Since the first modern Olympics held in Athens in 1896, the Games have seen many ups and downs. In the early period the Games were often used as a means to boost some commercial fair, as occurred in Paris and St Louis in the United States. In the second period, between the two wars, the Games got dangerously mixed up with politics, especially the eleventh Games held in Berlin from August 1 to 16, 1936 under the Nazis. Since the War the emphasis has been on sporting achievement but even in this latter period the success of Japan in the organisation of the present Games has been outstanding. Over 98 per cent of the total seating accommodation was sold in Tokyo, as contrasted with just under 50 per cent at the Rome Games. The Japanese have built special buildings as permanent assets to the improvement of sport in Tokyo. The most outstanding are the swimming stadium (which seats over three times more than the next largest swimming stadium in the world), the Budokan (dedicated to Judo), the Komazawa sports complex for field and cycling sports, and the national stadium for further field events which has been enlarged to hold 75,000 people. The Toda rowing course, which was improved for the Olympics, is a 2,000 metre long course of absolutely smooth water originally developed from a large gravel pit by the side of the Sumida river. It is now one of the most perfect rowing courses I have ever seen.

Under these conditions, it might have been expected that some traces of nationalistic Japanese pride might have worked their way through to the actual organisation of the events but this was far from being the case. The Japanese organisers had carefully avoided forcing their own views forward. To give an example: the Olympic Committees of North Korea and Indonesia could not believe until the very last moment that the ban on their athletes who had participated in the GANEFO games in Djakarta would not ultimately be modified and they admitted to the Games. It is well known that the Japanese Olympic Committee was very anxious to have them admitted as fellow Asian countries. A special Japanese delegation flew to England to try to change the stand of the International Amateur Athletic Federation President, but without success. They then enforced the ruling of the Olympic Committee by refusing to allow any members of the North Korean and Indonesian Olympic teams who had participated in GANEFO to enter the Olympic village even though this was against their own wishes. The crowds at the Games were as non-partisan as could be, cheering all winning competitors, even those winning over Japanese competitors. This feeling of friendliness has been reciprocated by many of the visiting teams. For example, in the initial march past the Cuban athletes waved small Japanese flags as they passed the Emperor's box. There was a deliberate attempt on the part of all teams to be as un-military as possible.

Division of Medals

Since most of the details of the Games have been already published in the press, I should like to explain some of the general features. It is not always understood that in terms of medals certain sports are under-represented. The division of medals is as follows:

Sport	No of Events
Track and Field	36
Swimming and Diving	22
Wrestling	16
Gymnastics	14
Boxing	10
Yachting	10
Rowing	7
Canoeing	7
Weight-lifting	7
Cycling	7
Fencing	6
Equestrian sports	5
Shooting	5
Judo	4
Modern Pentathlon	2
Volleyball	2
Water Polo	1
Basketball	1
Football	1
Hockey	1

The sports can be divided up roughly as follows: competitive events in which groups of competitors oppose each other (hockey, basketball, water polo, football, volleyball), 6 events; competitive events in which individuals oppose each other (fencing, judo, wrestling, boxing, canoeing and yachting), 53 events; events based only on style (gymnastics and equestrian sports), 19 events; events also among individual competitors but with emphasis on bettering established records (swimming and diving, track and field events, modern pentathlon, rowing and weight-lifting), 74 events. There is no doubt that in terms of absolute achievement the interest in the Olympics is on the last group. Although India was to be commended for winning the only gold medal awarded to an Asian country other than Japan, the sight of an individual straining to be not just the winner but the absolute best in the world was one well worth coming all the way to Tokyo to witness.

I should now like to pick out one or two of the more important Olympic successes from this point of view. There were, above all, the long distance runners, especially Bikila Abebe of Ethiopia who won the Marathon both in Rome and here. The Marathon is a gruelling race requiring immense determination and judgment and Abebe succeeded in breaking his own previous record set up at Rome. In this race the second place was retained by a Japanese up to a few hundred metres from the finishing post when an Englishman overtook him with an uncanny burst of speed. The Japanese, Tsuburaya, was so played out that he was not able to alter his pace in the slightest. The second surprising win was in the rowing eights which were won by an American team coached by a Hungarian refugee and consisting entirely of working men. The tradition of rowing being restricted to the top universities in the U S, the sport has received a substantial blow. Even this eight only just made the preliminary trials for selection. The New Zealander, Peter Snell, won the 800 and 1,500 metres—in both cases by using the same style of staying within the top four until near the end of the race, and then accelerating to come in first. Another extraordinary win was by a part-American Indian, William Mills, who won the 10,000 metres race. Rather interestingly his runner-up was Mohamed Gammoudi of Tunisia who

arrived unexpectedly in Tokyo last year for the Asian Games without registering his application beforehand and was accepted as a goodwill runner by the Japanese organisers. At that time he did not place himself very highly. Finally, in the swimming the ace was 18-year-old Don Schollander, a Yale freshman who won the 100 and 400 metres free-style and the 400 and 800 metres relays.

I could continue in this vein almost indefinitely but instead let me draw some general lessons from the Games. First, it is now impossible for any individual to win any competitive event by himself. Winners in the different sports are differently formed. For example, long distance runners seem always to be fairly short and determined men whereas some of the winners of the short sprints and dashes were enormous in size and also very often negroes. But the training methods used and the degree of understanding a runner has of his own physical capabilities are extremely important. Moreover, it seems to be very difficult to become really good at one of the sports unless one is extremely intelligent. This is especially noticeable in the weight-lifting events where it was clear in watching that it was the control the weight-lifter had of his muscles and his estimate of his likelihood of success which counted. If you misjudge your capabilities to lift a quarter of a ton half way up the lift you may do yourself permanent injury.

Wide Support Necessary

Second, no country can be successful unless there is in the country very wide popular support for the sport in question. In New Zealand, as I know, long distance running is extremely popular and in swimming Australia and the United States have swimmers extremely young. In fact, one of the American Olympic girl swimmers was only 14 years old and I think the average age was about 18. In contrast, the Japanese swimmers many of whom had swum in the previous Olympics, looked positively middle-aged at 23. The Americans won because of their ability to select swimmers at primary schools. It was very interesting to note that many of the victories of the Americans in the track and field events were by American Negroes but in swimming there was not a single Negro swimmer. I am informed that this is because there are very few really first-class swimming pools laid out for competitive swimming which are open to Negroes in areas where they live while many Negro colleges in the United States have first-class track facilities. In other words, it is possible that if Africa had the same opportunities and competitive swimming pools as the United States, it is likely that American dominance in this field would be lost.

What India Must Do?

Third, in spite of the dominance of larger countries like the USA and USSR at Tokyo, there have never been so many competitors from smaller countries as at these Games. But, clearly, small countries cannot hope to win any gold medals if they spread their competitors too thinly. The best thing for a small country to do is to choose one particular sport and then to pour all its interest and effort into that sport to the almost total exclusion of the rest. Though cricket and hockey are very popular in India it is now very important for Indians to systematically develop some particular track or swimming event as well because there are 74 events in these sports against only one in hockey. It appears to me, considering the build and shape of Indians, in contrast, say, to the Negroes, that Indians should systematically try to enter the long distance running events as well as weight-lifting and gymnastic events. Weight lifting is so carefully divided into various classes that there would be little danger of Indians competing in an event beyond their capabilities. In gymnastics though there has long been bitter competition in the past between the Japanese and the Russians, this year the reigning women's champion came from Czechoslovakia. So much of success in gymnastics, among women at least, rests on gracefulness that it does not seem impossible to me that there are not potential gymnasts in the various schools of dancing, particularly in South India.

Now that the Games are all over, one can begin to assess the advantages that Japan has gained from hosting them. There is no doubt that Japan has benefitted enormously from the experience. Apart from general gains like winning the respect of other countries, etc, due to TV coverage, every school-child in the country is now aware of sports as a major achievement apart from school work and has learnt about the sports that he can succeed in. I have become a firm weight-lifting enthusiast after these Games. Moreover, the defeat of the Japanese in open Judo by a Dutchman has shown that there is no mystique about learning to be really good at a sport. Up to now the Japanese have always believed that Judo can be really successfully understood only by a Japanese. Now they know that it is a technique which can be learnt like any other. And, finally, the improvements made to the city of Tokyo will always be there. I have no doubt that notwithstanding the slower rate of urbanisation and the greater poverty of India, if India ever succeeded in hosting the Olympic Games it would be greatly to India's benefit.

Record Small Savings

THE net collections of small savings during the first half year of the current financial year, which ended on September 30, 1964, show an all time record of Rs 55.33 crores. This figure is Rs 11.33 crores higher than the previous best achieved in the preceding year.

It is significant that during practically every month of the current year, the collections have substantially exceeded those of the corresponding month in the preceding year. The net collection in September 1964 was Rs 11.11 crores against Rs 9.84 crores in September 1963 which itself was the highest for that month. In August 1964 it was Rs 11.73 crores against Rs 9.11 crores in August 1963.

During the first half year, the collections in the 12 year National Defence Certificates were Rs 53.18 crores gross and Rs 31.34 crores net. The collection in Ten-Year Defence Deposit Certificates was Rs 12.71 crores gross and Rs 10.55 crores net. The Post Office Savings Bank added Rs 10.01 crores net to its deposits. The Cumulative Time Deposit Accounts brought in Rs 3.52 crores.

Among the states, Maharashtra led with Rs 11.47 crores net collections during this period, closely followed by West Bengal, Rs 10.74 crores. Other States where collections showed substantial improvement over the previous year were U P Rs 5.75 crores, Bihar, Rs 5.00 crores and Gujarat, Rs 4.44 crores.

During this period, the sale of Premium Prize Bronds totalled Rs 1.26 crores of which sales in Maharashtra were Rs 39 lakhs, Madras, Rs 23 lakhs and West Bengal, Rs 22 lakhs.

India's Foreign Policy in a Changing World

Parimal Kumar Das

The foreign policy of any country cannot be based on rigid postures and unchanging ideas.

Viewed in this light, one is amazed at the reactions of India's foreign policy-makers to the remarkable developments on the world scene of the last few weeks. What they betray is our preference for simple explanations for complex situations.

EVENTS in the past few weeks have moved at a faster pace than one could imagine. The fall of Khrushchev and the explosion of the atomic bomb by China together have posed baffling problems. These developments have taken place at a time when India's foreign policy makers were yet to complete their assessment of their gains or losses in the Cairo conference. The nuclear explosion by China or the Labour Party Victory in British polls were not completely unexpected, and it was a significant coincidence that the change in Moscow should be followed by the nuclear blast by China the next day. The world power structure has once again been shaken up. The element of uncertainty introduced in international relations by these events is going to be the prime concern for the coming years for those who control the destiny of mankind.

India is most intimately affected by these events. But we have not been able to face them squarely. What has been the bane of our foreign policy is its uni-dimensional approach to issues concerning our interests. We had been, for more than a decade, used to this kind of behaviour in our external relations. But in a mixed world, as it exists, what is urgently needed is a multi-dimensional approach. We should not merely be reacting to events that overtake us. We should be in a position to anticipate events. And this can be possible only when we work on a set of policy alternatives, instead of on one policy, for a given situation. Before any event can overawe us we should be in a position to confront it with various alternatives. If the pronouncements of the authorities in New Delhi are any indication, there is a complete absence of a multi-dimensional approach in our foreign policy. The foreign policy of a country cannot be formulated on firm fixations and rigid postures. As in individual relations, so also in international relations, it is erroneous to function with one single psychic framework. Our foreign policy should be not merely an effect-reacting function but also a cause-creating process.

Viewed from this point, one is amazed at the reactions of our policy-makers to the recent events. None of these reactions has touched the basic problem. What it betrays, however, is our preference for simple explanations of complex situations. In respect to the developments in the Soviet Union, our policy seems to have been based on the assumption of permanency and supremacy of the leadership that existed till the exit of Khrushchev. We could not have been oblivious of the fact that, however weak, there did exist a section in the Soviet leadership which did not reconcile itself completely to the change sought to be brought about by the developments following the 20th Congress of the C P S U. The Sino-Soviet rift provided this group an external projection in the international communist movement. The Cuban crisis and the Soviet capitulation, as they would like to describe it, gave them a sense of meaningfulness. Therefore, Indo-Soviet relations could not be shaped in the image of one personality or of one section of leadership in Moscow. Neither should the promotion of our interest be dependent on a one-dimensional approach.

Viewed from Moscow and London

Policy alternatives should not exclude the possibilities of

(a) rapprochement between the Soviet Union and China; consequently, resumption of military and economic aid to China at the cost of India;

(b) indifference to India, as a result of a policy of isolationism getting precedence in Moscow;

(c) pre-occupation with East European affairs;

(d) growth of neo-Stalinism;

(e) maintenance of the *status quo*.

New Delhi should, therefore, always work on more than one alternative to face developments in Indo-Soviet relations. One thing is certain, and that is that any shift towards normalisation of relations between China and Russia would be at the expense of India. And there is little doubt, as the events are unfolding themselves, that the shake-up in Kremlin is motivated by the desire to make up with China. China's membership of the nuclear club would help make this more imminent. Whether the truce would be a short-lived one or not would depend not only on indigenous factors in the respective countries but also on the attitude that the United States and other western powers take towards China. China's rapproachment with the Soviet Union would be the beginning of the end of China's isolation so far as the councils of the world are concerned.

One major mistake of our policy in Europe has been that India has viewed the Eastern European countries from Moscow and the Western European one from London. And this has, in most cases, made a big difference in our attitude towards these countries. The fermentation through which the Eastern European countries are passing has been either overlooked while formulating our policies or has been taken note of in a manner that would accommodate Soviet sensitiveness in reference to these areas. This may or may not have been in conformity with our interests. What would be advisable, therefore, is to strive for an independent assessment based on intimate bilateral contacts. This is as much true of Western Europe. Our past links with the United Kingdom and the mental alliance of the policy framers with London obscure many factors from consideration, when Western Europe is looked at from London. Convulsions in East Europe are likely to increase in intensity following the fall of Khrushchev and this would initiate the process of loosening of the West European community. For, a more independent, self-asserting Eastern Europe would enlarge the scope for new alignments in the European scene.

So far as China is concerned, a re-appraisal of the whole policy is urgently required. It is no use oscillating between two extremes. Rational estimation is seldom possible in a climate of extremity. One can't help repeating that there is no permanent enemy or permanent friend in international relations, it is only the national interest which is permanent. Promotion of national interest is not possible with one single psychic frame of reference. China's character as a friend or enemy might change with the passage of time, but the fact remains that she is a formidable neighbour. And after the elimination of Tibet as a buffer state, China is our next door neighbour. One

cannot wish the facts of geography away.

Relations between India and China cannot be any worse than they have become after the Chinese aggression in 1962. But should Indian foreign policy acquire only one posture in respect to China, namely that China is India's enemy and she should be treated as such? That China has been hostile to India cannot be disputed. But the policy confrontation with China is not feasible with a uni dimensional approach. China's acquisition of nuclear power adds *a new dimension* to the Sino-Indian problem. Our policy with respect to China lacks both in peace offensive and war offensive. In both respects India has taken no initiative. As usual, we only react to Chinese or other countries' overtures for peace. Either it is the Colombo Powers or China *that could initiate fresh negotiations*. New Delhi seems to have no other alternative to break the stalemate. That was left to Jayaprakash Narayan who had the boldness and imagination to launch a peace offensive. Whatever might be the merits of his suggestion to lease Aksaichin to China in return for the *recognition of our interest* by her in the Chumbi Valley, there is no gainsaying the fact that it was a unique attempt to seize the initiative, which otherwise lies with the Chinese. Despite military preparations our posture for some time to come will have to be defensive so far as the undertaking of a military offensive is concerned. Therefore, we can with some expectations of securing an advantage launch peace offensives from time to time. A long stalemate in a dynamic and changing world would not be in India's interest. India would have to seek a breakthrough somewhere. A peace offensive launched with the idea of advancing our national interest is not synonymous with surrender, as is mistakenly held in some quarters.

Having accepted the oft-repeated descriptions of Chinese motivations with respect to India and South-East Asia it would be advisable to probe into the utility of the atom-bomb for the promotion of Chinese designs. China can attempt to achieve its objectives, in some cases successfully, with or without the A-bomb. The A-bomb only gives her a power status and prestige. Militarily it has little significance. In Mao's own words, the atom bomb, even the Chinese one, is a 'paper tiger'. Therefore, employment of nuclear weapons to achieve Chinese objectives can be ruled out. From a military point of view, what India should prepare against is a *conventional and guerrilla attack from China.* Yet to cancel out the Chinese advantage in terms of the global power structure, India must strive to attain nuclear power status.

In this respect, it should be borne in mind that the majority of the new possible entrants to the nuclear club will be from the coloured world. Potential nuclear powers, besides the *present* five, are India, Japan, United Arab Republic, Israel, Germany and Canada. This prospect, allied with the numerical majority of the coloured people, who form the main part of the developing and resurgent world, lend the world panorama a form quite different from the existing one. A *horizontal reference to the areas of* tension as East and West seems to be giving way to a vertical reference as North and South.

India's membership of the nuclear club should be looked at in this context. *It would be worthwhile,* therefore, *to suggest a plan for an* ASIATOM with India, Japan and China as the chief partners. Apparently, the inclusion of China might look absurd. If India *wants* the A-bomb *to* gain a political advantage, and not for military significance, such a move would be useful to launch a peace offensive to embarrass the Chinese. The suggestion *would increase in its value when* rejected by China. Chinese rejection would also remove any stigma of the ASIATOM being an anti-Chinese combination. Chinese acceptance of the proposal, on the other hand, would give a common Asian control over the nuclear apparatus. Our old commitments *against manufacturing* the A-bomb (apart from the financial considerations) necessitate a collective effort in this direction.

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Relative Rates of Growth

Agriculture and Industry

Ashok Rudra

To what extent does a slow rate of growth of agriculture act as a retarding factor on the pace of growth of industries?

The question has acquired urgency in view of the relative stagnation that has characterised Indian agriculture since the beginning of the Third Plan.

As the factors behind the stagnation have not yet been clearly understood, nor any action programme formulated on the basis of such understanding, one has to take seriously the possibility that agriculture persists in its present creeping rate of growth.

One is, however, discussing very ambitious growth programmes for the industries sector: 12 per cent annual rate of growth for the industries as against a rate of 5 per cent for agriculture for the period 1960-61 to 1975-76.

In this context it is of great interest and importance to form an idea about the pressures, that may be expected to be generated in the economy if it is attempted to go ahead with a high rate of growth of industries irrespective of the rate of growth of agriculture and, incidentally, examine whether a 5 per cent rate of growth for agriculture may be regarded to be in balance with a 12 per cent rate of growth for industry.

(Most of the mathematical and computational results presented in this paper have been borrowed by the writer from the research works of Smt Pushpam and Shri A V Ramsunder. The writer alone is, however, personally responsible for the interpretation made of them. The official organisations with which he is associated also have no responsibility for the results and views presented.)

One, of course, knows qualitatively the effects to be anticipated. Shortage of agricultural raw materials for domestic industries would tend to slow down the growth of industries dependent on such raw materials. Shortage of agricultural products for export would reduce foreign exchange earnings. Shortage of foodgrains, other food products, and consumer goods based on agriculture would exert pressure on their respective prices; the pressure would be transmitted to wages which in its turn would tend to raise the general level of prices. If the shortages are to be met by imports, it would be necessary to curtail the import of capital goods and raw materials for industries and this in turn would tend to reduce the growth of the industries sectors unless, of course, one is capable of as well as prepared to draw upon external assistance to an indefinite extent.

What we propose to do in the present paper is to obtain certain quantitative measures of these effects. It may be emphasised that the numerical results presented here are of more than illustrative value. They are as much relevant to policy making purposes as any numerical results based on Indian economic statistics may ever be. We can make this assertion as the model from which the results are derived is not a demonstration model but a planning model the parameters of which have been estimated on the basis of extensive empirical research.

We shall examine the dependence of industry on agriculture in three of its aspects, namely, (*i*) industry's dependence on agriculture as a supplier of agricultural raw materials and as a consumer of industrial raw materials and capital goods; (*ii*) industrial wage earners' dependence on agriculture for the supply of wage goods and raw materials for industrial wage goods; and (*iii*) industry's dependence on foreign exchange earned by agriculture.

As to inter-industrial interdependence, it does not require any model to observe that the interdependence is not of such a nature as to impose a limit on the growth-rate of the industry sector as a whole, given the growth rate of agriculture as a whole. That is because, while it is easy to think of industries that are directly and totally dependent on agricultural raw materials, (e.g. rice and wheat milling, sugar, vegetable oil, and vanaspati, jute, textile, cotton textile, leather products etc.), it is equally easy to identify industries that are not even remotely dependent on agriculture for any of their important raw materials. Moreover, it is to this latter group that the so called heavy industries that have been picked out in our planning for top priority treatment belong. Steel, aluminium, cement, fertilisers, machinery, petroleum refining and such industries can develop at rates quite independent of the rate of growth of agriculture. The industrial products consumed by agriculture are also not of such a proportion to the total supply of industrial products as to make much difference to the growth of industries taken as a whole. It can, therefore, be stated that one *can* go ahead with a programme of industrial development at the rate of 12% per year or any other rate without any physical bottlenecks arising from a low rate of growth of agriculture, provided that one remembers that a relatively slow rate of growth of industries directly dependent on agriculture would have to be counterbalanced by a relatively high rate of growth of other

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industries dependent primarily on minerals.

While one may presume this feature of the relationship between agriculture and industry from one's general knowledge about different economies, the extent to which it is true of a particular economy can only be known as a result of empirical research. The degree of inter-industrial dissociation between agriculture and industries directly based on agriculture on the one hand and the rest of the economy on the other is sharply brought out by the following inter-industry table for Indian economy for 1960-61 (Table 1). The corresponding inter-industrial coefficient matrix is presented in Table 2. If one chooses to substitute a coefficient by zero every time the corresponding flow in 1960-61 constitutes less than 5% of the total flow (note that this condition has no relation with that of the coefficient being smaller than ·05), we obtain the coefficient matrix given in Table 2*a*. It would follow that the inter-industrial feasibility conditions may be approximately written as:

$$x_{1t} \geqslant 0\cdot204\ x_{1t} \quad (1)$$

$$x_{2t} \geqslant 0\cdot310\ x_{2t} \quad (2)$$

$$x_{3t} \geqslant 0\cdot020 x_{1t} + 0\cdot064 x_{2t} + 0\cdot129\ x_{3t} \quad (3)$$

Where x_{it} is the output level of sector i in year t, measured in the producer's prices of 1959-60. The first two conditions being tautologically true, it follows that the growth rate of the first does not exert any influence at all on the growth rate of the second and vice versa.

In order to study the dependence of industry on agriculture as the supplier of wage goods and the earner of foreign exchange, we replace the inequalities written above by equalities by stipulating conditions to be satisfied by final demand; we also allow for a non-zero coefficient for the input of industrial raw materials into agriculture, to take care of likely technological changes in the latter To start with we write:

$$x_{1t} - a_{11}\ x_{1t} = h_{1t} + g_{1t} + s_{1t} + o_{1t} + e_{1t} - m_{1t} \quad (4)$$

$$x_{2t} - a_{21}\ x_{1t} - a_{22}\ x_{2t} = h_{2t} + g_{2t} + s_{2t} + o_{2t} + e_{2t} - m_{2t} + k_t \quad (5)$$

$$x_{3t} - a_{31}\ x_{1t} - a_{32}\ x_{2t} - a_{33}\ x_{3t} = h_{3t} + g_{3t} + s_{3t}\ o_{3t} \quad (6)$$

where a_{ij} is the usual inter-industrial coefficient, h_{it} household consumption of commodity i in year t, g_{it} government consumption, e_{it} its export, m_{it} the import and s_{it} the addition to stocks o_{it} is intermediate consumption in sectors not covered by the left hand side of the equation. k_t stands for capital formation and the sectors have been defined in such a way that the commodities that go into capital formation—machinery and construction—are all products of sector 2. Also the third sector is so defined that it has neither exports nor imports. The unit of measurement all through is the constant price of 1959-60.

In order to study the mutual relation between the rates of growth of output x_{it}, available supply for household consumption h_{it} and available supply for net exports $(e_{it} - m_{it})$, we eliminate from the above equations the other expressions, namely, g_{it}, s_{it}, o_{it} and k_t by making suitable assumptions about them. Government consumption, g_{it}, we treat as an exogenous variable taking the value g_{it}^0. Stock formation and consumption by the residual sectors, s_{it} and o_{it} we treat as proportional to the level of output:

$$s_{it} + o_{it} = x_{it}\ b_{it}$$

As to capital formation, k_t, we assume that it is made up of two parts, a part k_{dt} financed by domestic savings and a part k_{ft} financed by external assistance. We treat k_{dt} as bearing a certain proportion θ_t to the household consumption of the products of the sectors considered:

$$k_{dt} = \theta_t\ (h_{1t} + h_{2t} + h_{3t}) \quad (7)$$

As to k_{ft} we treat it as equal to the surplus of imports over export earnings:

$$k_{ft} = (m_{1t} + m_{2t}) - (e_{1t} + e_{2t}) - e_0 \quad (8)$$

Where e_0 is the invisible earnings plus domestic trade and transport margin on exports (See Note 2).

Basing ourselves on the inter-industry table for 1960-61 and making allowances for structural changes to be expected between this base period and 1970-71, one may make the following numerical assumptions (See Note 3) for $t = 1970$—

$\theta = 0\cdot85$	$e_0 =$ Rs. 220 crores
$b = 0\cdot050$	$g_1^0 =$ Rs. 250 crores
$b^1 = 0\cdot030$	$g_2^0 =$ Rs. 560 crores
$b_3^2 = 0\cdot300$	$g_3^0 =$ Rs. 10 crores

As to the matrix of inter-industrial coefficient we use the simplified version of table 2*a* excepting that for a_{21}, we now take ·C40 rather than zero. So that we may write, dropping t everywhere,

$$0\cdot746\ x_1 = h_1 + (e_1 - m_1) + 250 \quad (9)$$

$$0\cdot640\ x_2 - 0\cdot040\ x_1 = h_2 - (e_1 - m_1) + (h_1 + h_2 + h_3)\ 0\cdot85 + 340 \quad (10)$$

$$0\cdot571\ x_3 - 0\cdot020\ x_1 - 0\cdot064\ x_2 = h_3 + 10 \quad (11)$$

An interesting feature of the set of equations written above is that only the export surplus of of sector 1 enters the picture: *no assumptions are required and no results derivable about export and import of the second sector. Also that the rate of growth of industries (sector 2) is directly*

ANNOUNCEMENT REGARDING

This is NOT a Prospectus. Persons interested in full details may obtain copies of the Prospectus from

POYSHA INDUSTRI

(Incorporated u

Registered Office: Messen

EXISTING AND PROPOSED ACTIVITIES OF THE COMPANY.

The Company is engaged in the manufacture of a wide variety of containers ranging from simple slip-cover-cans such as are used for cosmetics and other dry products to friction-top cans for paints, open top sanitary cans for fruits and vegetables, and other precision-made containers. Metal cans, mostly decorated and lithographed are manufactured by the Company in a variety of sizes and shapes to meet the needs of the different products to be packed. The Company also makes other light-gauge tinplate and sheet metal products.

The Company's wholly owned subsidiary, Colrige Limited, is engaged in the manufacture of rigid containers and collapsible metal tubes for cosmetic, pharmaceutical and other industries.

Another subsidiary, Kaira Can Company Limited, will be manufacturing containers at its factory to be established near Anand mainly, for the requirements of Kaira District Co-operative Milk Producers' Union Limited.

The proposed activities of the Company as well as of subsidiaries will be the same as described above.

LOCATION OF THE FACTORIES.

The Company's existing factory is at present situate at Messent Road, P. O. Tank Road, Bombay-33 DD. The Company has a branch factory viz., a reforming unit at Najafgarh Road, Motinagar, New Delhi-15.

The Company proposes to establish two additional factories, one at Cochin in the South to cater to the requirements of South India and the other at Ghaziabad in North India to take care of North and East Indian requirements.

The main factory situate at Messent Road, P. O. Tank Road, Bombay 33 DD, is proposed to be shifted to the Kalva Industrial Area near Thana of the Maharashtra Industrial Development Corporation and fully modernised.

The modernisation and expansion programme will increase the Company's capacity from 40 lakhs to 1 crore of cans per month, on a single shift basis.

The factory of Colrige Limited, a wholly owned subsidiary which is now in rented premises at Sewri, is also proposed to be shifted to the new site near Thana of this Company.

The factory of another subsidiary of this Company, Kaira Can Company Limited, is proposed to be established near Anand in Gujarat State.

BOARD OF DIRECTORS

1. **Shri Madanmohan R. Ruia, Chairman.**
   96, Nepean Sea Road,
   Bombay-6.
2. **Shri Dayanand C. Kothari,**
   "Kothari House",
   15, Kothari Road,
   Madras-31.
3. **Shri Chandrakant M. Khatau,**
   6, Wilderness Road,
   Malabar Hill,
   Bombay 6.
4. **Shri Vijay M Merchant,**
   Mewar,
   40A, Peddar Road,
   Bombay-26.
5. **Shri Narendra N. Kapadia,**
   Malhotra's Bungalow,
   T-1/54, Juhu Tara,
   Bombay-54.
6. **Shri Kumaril V. Mehta,**
   25, Doongersey Road,
   Malabar Hill.
   Bombay-6.
7. **Shri Rasiklal M. Kapadia,**
   'Lansdowne Court'
   Flat No. 1,
   5, Lansdowne Road,
   Calcutta-20.
8. **Shri Bhogilal P. Shah,**
   'Karunasagar',
   No. 5, Deodhar Road,
   Matunga,
   Bombay-19.
9. **Shri Dhananjaya R. Mehta,**
   75, Warden Road,
   Bombay-26.
10. **Shri Harkishan N. Kapadia,**
    "Viller Villa",
    Ghodbunder Road,
    Bombay-54.
11. **Shri Harshad N. Kapadia,**
    Ocean View Annexe,
    3rd Floor,
    Warden Road,
    Bombay-26.
12. **Shri Jayantilal R. Mehta,**
    75, Warden Road,
    Bombay 26.

MANAGING AGENTS.

Industrial Factors Private Limited,
'Jiji' House,
Raveline Street,
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SHARE CAPITAL.

Authorised :

15,00,000 Equity shares of Rs. 10/- each — Rs. 1,50

Subscribed:

2,50,000 Equity shares of Rs 10/- each — Rs. 25

Paid-up: — Rs. 24

PRESENT ISSUE:

8,50,000 Equity shares of Rs. 10/- each — Rs. 85

Out of the Present Issue:

2,50,000 Equity shares of Rs. 10/- each have been offered to the existing Shareholders by way of rights. — Rs. 25

NOW OFFERED FOR PUBLIC SUBSCRIPTION FOR CASH AT PAR :

6,00,000 Equity Shares of Rs. 10/- each payable as follows:

(i) Rs. 2.50 per Share on application.

(ii) Rs. 2.50 per Share on allotment, and

(iii) the balance of Rs. 5/- per equity Share payable on further calls as may be determined by the Directors, but no call shall exceed Rs. 2.50 per Share and there shall be an interval of at least three months between any two calls. — Rs. 6(

ᴾROPOSED ISSUE OF CAPITAL.

ɪred Office of the Company or from the Underwriters, Bankers, Brokers and Issue House named hereinafter.

COMPANY LIMITED.

mpanies Act, 1956)

ı lank Road, Bombay-33 DD.

BANKERS TO THE ISSUE.

The Bank of India Limited,
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The Bank of Baroda Limited,
Apollo Street,
Fort, Bombay-1.

The Central Bank of India Limited,
Mahatma Gandhi Road,
Fort, Bombay-1.

UNDERWRITERS.

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Life Insurance Corporation of India.
U. P. State Industrial Corporation Limited.
Harkisondass Lukhmidass, Share Brokers.
Jamnadas Morarjee & Company, Share Brokers.
The Bank of Baroda Limited.
P. R. Subramanyam & Sons, Share Brokers.
New India Assurance Company Limited.
Ramanbhai Lalbhai Sheth, Share Brokers.
South India Insurance Company Limited.

N. B: THE WHOLE PUBLIC ISSUE HAS BEEN FULLY UNDERWRITTEN.

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3. **Jamnadas Morarjee and Company,** 8-10, Dalal Street, Bombay-1.
4. **Ramanbhai Lalbhai Sheth,** 5, Stock Exchange New Building, Apollo Street, Bombay-1.
5. **Merwanjee Bomanjee Dalal,** Allahabad Bank Building, Apollo Street, Bombay-1.
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7. **Lewis & Jones,** Bank of Baroda Building, Apollo Street, Bombay-1.
8. **Batlivala & Karani,** Union Bank Building, Dalal Street, Bombay-1.
9. **Devkaran Nanjee & Company.** Devkaran Nanji Buildings, Horniman Circle, Bombay-1.

Bangalore:

1. **P. R. Subramanyam & Sons,** "Shree Siva", 24, Fourth Street, Benson Cross Road, Bangalore-6.
2. **M. L. Gopala Setty,** Kempegowda Road, Bangalore-9.

Madras:

1. **Paterson & Company,** 32/33, Linghi Chetty Street, Madras-1.
2. **Chitra & Company,** 322-323, Linghi Chetty Street, Madras-1.

Calcutta:

1. **Place, Siddons & Gough Private Limited,** 6, Lyons Range, Calcutta-1.
2. **G. M. Pyne,** Allahabad Bank Buildings, 14, India Exchange Place, Calcutta-1.
3. **Mathurbhai B. Patel,** 7, Lyons Range, Calcutta-1.

Delhi:

1. **Harbans Singh Mehta & Company,** 33, Regal Building, Parliament Street, New Delhi-1.
2. **Raj Paul Chadha & Company,** Delite Cinema Building, Asaf Ali Road, New Delhi.

Ahmedabad:

1. **Narendra Lalbhai Sheth,** Manek Chowk, Ahmedabad.

ISSUE HOUSE.

Industrial Investment Trust Limited.
61, Apollo Street,
Fort, Bombay-1.

APPLICATIONS.

Applications for shares must be for a minimum of 50 shares or multiples thereof.

Copies of Application Forms and Prospectus can be obtained from the Company's Registered Office, from any of the abovementioned Underwriters, Bankers, Brokers, Issue House or from the main offices of any of the said Banks in any of the cities mentioned below:

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dependent on the rate of domestic savings but has no relation with the rate of investment.

We shall now try to answer the following three questions:

(*i*) What are the "balanced" relative rates of growth of the sectors valid for the period 1960-61 to 1970-71 that would ensure that the relative prices would remain steady all through at the 1959-60 levels?

(*ii*) What would be the pressure on prices of consumer goods if the relative rates of growth be different from the balanced rates?

(*iii*) If the pressure on prices is to be averted by drawing upon the rest of the world, what would be the pressure of foreign exchange shortage?

In order to answer the first question, we shall assume for e_1 a given projection representing the maximum extent of agricultural exports possible by 1970-71, namely, Rs. 570 crores. We shall also assume for m_1 the relation:

$$m_1 = m_1^* + 0\cdot010\, x_1 \qquad (12)$$

Where m_1^* represents the minimum content of non-competitive imports in the supply of agricultural goods visualised for 1970-71 (See Note 5).

We may therefore write the following relations between the output levels and available supply for household consumption:

$$0\cdot756\, x_1 = h_1 + 820 \qquad (13)$$

$$0\cdot640\, x_2 - 0\cdot050\, x_1 = (h_1 + h_2 + h_3)\, 0\cdot35 + h_2 - 230 \qquad (14)$$

$$0\cdot571\, x_3 - 0\cdot064\, x_2 = 0\cdot020\, r_1 + h_3 + 10 \qquad (15)$$

We now make use of the following conditions to be satisfied by h_1, h_2 and h_3 if the relative prices are to remain unchanged at the 1959-60 levels—a result derived by a modified application of the Linear Expenditure System developed by Prof. Richard Stone and his associates to National Sample Survey household consumption data (See Note 4 for more details about the econometric basis of the results);

$$h_2 = 0\cdot07485\, h_1 - 24\cdot96 \qquad (16)$$

$$h_3 = 0\cdot03226\, h_1 - 10\cdot76 \qquad (17)$$

The striking simplicity of these two linear relations need not give rise to any scepticism about their accuracy or validity: the demand function on the basis of which they have been arrived at provide very much better fit to N.S.S. demand patterns over the different rounds than any other tool of demand analysis that has been tried upon them so far.

Substitution of the relations (16) and (17) in (13), (14) and (15) yield the following linear relations in the output levels:

$$x_2 = 0\cdot623\, x_1 - 1011\cdot20 \qquad (18)$$

$$r_1 = 0\cdot147\, x_1 - 167\cdot06 \qquad (19)$$

These relations permit us to calculate alternative sets of "balanced" relative rates of growth. The results are presented in Table 3. We notice that *the assumption being very widely made currently that a 5% rate of growth of agriculture is in balance with a 12% rate of growth of industry is very much off the mark.* A 12% rate of growth of industry calls for a 6.9% rate of growth of agriculture.

We now take up the third question. We consider four alternative rates of growth for agriculture, namely, 2%, 3%, 4% and 5% per annum and a constant rate of growth of 10% per annum for industries. We also consider the combination 12% rate of growth for industries and 5% rate of growth for agriculture. For each combination we calculate for 1970-71 on the basis of the conditions of (*i*) the relative prices of consumer goods remaining stable and (*ii*) export targets of Rs. 570* crores for agriculture, Rs. 200* crores for industries and Rs. 220 for invisibles (including trade and transport margin on commodity exports) the following:

(1) the volume of import of foodgrains and other food products necessary to keep prices stable;

(2) deficit in foreign exchange earnings if import is to be strictly restricted to non-competitive items only; and

(3) the competitive import of industrial products and the corresponding gap in foreign exchange earnings and requirements if a desired level of gross fixed capital formation is to be reached, irrespective of the available supply of domestic savings for the purpose. The results are presented in table 4.

The algebraic basis of the computations are as follows. By substituting in (9) and (10) for h_2 and h_3 from (16) and (17) and eliminating h_1, we get the following expression for the export surplus of sector 1.

$$e_1 - m_1 = 0\cdot263\, x_1 - 0\cdot438\, x_2 + 127\cdot342 \qquad (20)$$

This permits us to calculate h_1 from equation (9) and h_2, h_3 and k_d from relations (16), (17) and (7). In order to calculate the minimum volume of imports, in addition to (12), we make the following assumption for the non-competitive imports content of the supply of sector 2 products:

$$m_2^* = 0\cdot085\, x_2 \qquad (21)$$

As to competitive imports the results for agriculture $m_1 - m_1^*$ are arrived at by using (20) for export

*In producer's prices

surplus together with the given projection for e_1 and the definition (12) for non-competitive imports. In order to calculate the non-competitive imports $m_2 - m_2^*$ of industrial goods, we assume that the target for gross fixed capital formation to be achieved irrespective of the growth rates of agriculture and industry is Rs. 6,176 crores, the value at market price corresponding to the 'balanced' rates of growth of 6·9% and 12% for which case competitive imports are assumed to be zero.

(For further details see Note 5).

It may be noted that for the combination 5% rate for agriculture and 12% for industry, capital formation under assumption A (Rs. 6,454·6 crores) is more than the figure corresponding to the 'balanced' combination (Rs. 6,176·6 crores). This may be interpreted as meaning that the imbalance of the combination (5%, 12%) is such that the non-competitive import requirements alone would generate an import surplus and result in a capital formation higher than would follow from the balanced combination (6·9%, 12%). While the balanced combination would result in a fixed capital formation of Rs. 6,176·6 crores with only Rs. 160·5 crores of deficit in foreign exchange, the unbalanced combination would result in a fixed capital formation of Rs. 6,454·6 crores but at the cost of a deficit of Rs. 1,035·6 crores in foreign exchange!

We now take up the second question, *namely*, what would be the pressure *on* prices if foreign exchange deficit is not to be allowed to increase beyond the requirements of non-competitive imports. In order to treat of prices we have to introduce a commodity classification scheme different from the sector classification scheme used so far. Once again we consider only three groups but this time the groups are: foodgrains, other food, and non-food products. On the basis of the 30 sectors inter-industry table for 1960 61 and making allowance for higher rate of consumption of industrial products in agriculture as before and also making similar or identical assumptions regarding government consumption, intermediate consumption in other sectors, stock formation and fixed capital formation, we find that we can write the following set of equations where X_i stands, for the output of commodity i and H_i, G_i, E_i, M_i etc. different modes of final consumption of the products:

$$H_1 = 0{\cdot}874\, x_1 - 0{\cdot}026\, x_2 \qquad (22)$$

$$H_2 = 0{\cdot}712\, x_2 - 500 \qquad (23)$$

$$1{\cdot}35\, H_3 = 0{\cdot}502\, x_3 - 0{\cdot}040\, x_2 - 0{\cdot}040\, x_1 - 0{\cdot}35\, H_1 - 0{\cdot}35\, H_2 \qquad (24)$$

We now write for H_1, H_2 and H_3 the following equations in terms of their prices (expressed as index numbers with base at 1959-60):

$$p_1\,(H_1\, 12{\cdot}07\times10^{-4} - 3{\cdot}7206) - p_2\,(H_2\, 4{\cdot}98\times10^{-4} - 1{\cdot}5397) - p_3\,(H_3\, 11{\cdot}51\times10^{-4} - 1{\cdot}7690) = 0 \qquad (25)$$

$$-p_1\,(H_1\, 5{\cdot}64\times10^{-4} - 1{\cdot}7375) + p_2\,(H_2\, 9{\cdot}62\times10^{-4} - 2{\cdot}9737) - p_3\,(H_3\, 9{\cdot}39\times10^{-4} - 1{\cdot}4434) = 0 \qquad (26)$$

$$-p_1\,(H_1\, 6{\cdot}43\times10^{-4} - 1{\cdot}9832) - p_2\,(H_2\, 4{\cdot}64\times10^{-4} - 1{\cdot}4340) + p_3\,(H_3\, 20{\cdot}90\times10^{-4} - 3{\cdot}2125) = 0 \qquad (27)$$

These relations are once again the results of a modified application of the Linear Expenditure System to N.S.S. consumption data (for details see Note 4). Assuming the same varying rates of growth for agriculture and industry, the equation system (22) to (26) is used to calculate the changes in the relative prices to be expected in 1970-71. The results are presented in Table 5. *As one would not expect any reduction in the industrial prices*, the ratios in columns (3) and (4) represent the minimum rise in prices of foodgrains and other food products to be expected-minimum, as our calculations *do not* take into account price rises in industrial products as a result of price rises in foodgrains and food products and further price rises in the latter as a result of the rise in general price level. As can be seen, if the targets of 5% rate of growth of agricultural production and 12% rate of growth of industrial production are achieved, a minimal price rise of 109% is to be expected in foodgrains prices by 1970-71. However, if what is more likely, *agriculture is to grow at a much lower rate*, the rise in prices to be expected is much larger.

*In producer's prices

In Lieu of Conclusions

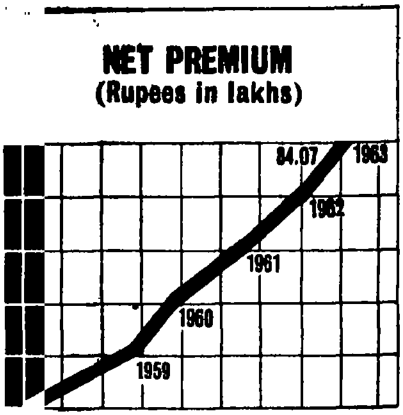
No conclusions have been attempted to be drawn in this paper. The results presented in tables 4 and 5 only indicate the price that might have to be paid for pushing ahead with a high rate of industrial growth in the teeth of a slow growing agriculture. If one is prepared to face an *initial* and *minimal* price rise of 159% in foodgrains and 576% in other food products, one may well say that a 3% rate of growth in agriculture need not deter one from trying to achieve a 10% rate of industrial growth. I may not also be accused of pessimism or fatalism. It is not being suggested that the industrial growth rate should be reduced to bring about compatibility with the slow agricultural growth. The results may equally well be used to recommend that the rate of growth of agriculture has to be raised in order to be compatible with the high rate of growth of industries desired.

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Table 1: Inter-Industrial Transactions for India 1960-61

(In Rs. crores at 1959-60 producers prices)

Output of Sector	input into sector 1	2	3	Other industries	total inter-mediate consumption	house-hold consumtion	Govt. consumption	gross capital formation	export	import	stocks	Total final demand	Gross output
1. Agriculture and industries based on agriculture	2050·7	187·8	21·0	206·6	2475 1	7220·7	104·0	--	401·1	322·0	107·7	7011·4	100805
2. Mining and industries based on mining	106·7	1126·4	150·8	147·0	1600·8	500·2	225·1	2002·0	57·0	790·0	83·2	2030·5	3687·3
3. Coal, electricity railways and motor transport	199·3	232·3	137·0	276 7	846·2	210·2	4·7	·	1·8	0·1	0·2	225·8	1072·0

See Note 1 for explanations.

Table 2: Input Coefficients 1960-61

Output sectors	Input sectors 1	2	3
1	0·204	0·052	0·020
2	0·017	0·310	0 149
3	0·020	0·064	0·120

Table 2 (a): Input Coefficients 1960-61

Output sectors	Input Sectors 1	2	3
1	0·204	0	0
2	0	0·310	0
3	0·020	0·064	0·120

Table 3: Balanced Relative Rates of Growth

Sector 1 Agriculture	Sector 2 Industries	Sector 3 Coal, Electricity and Transport
1	2	3
·02	6·21	4·30
·03	7·41	5·50
·04	8·57	6·59
·05	9·75	7·71
·069	12·00	9·80

N.B. See note 4 for explanations.

Table 4: Foreign Exchange Deficits Resulting from Unbalanced Growth

Rates of Growth: Agriculture	Industry	Competitive import of agricultural products	Competitive import of Industrial Products: Assumption A	Assumption B	Deficit of Foreign Exchange: Assumption A	Assumption B	Gross Fixed Capital Formation: Assumption A	Assumption B
1	2	3	4	5	6	7	8	9
2%	10%	1215·1	—	722·5	1150·1	1872·6	5381·0	6176·6
3%	10%	870·8	--	818·3	818·4	1636·7	5270·5	6176·6
4%	10%	501·7	---	921·0	462·8	1383·8	5163·5	6176·6
5%	10%	85·8	—	1036·7	62·1	1098·8	5036·2	6176·6
5%	12%	901·0	- -	--	1035·6	1035·6	6454·6	6454·6
6·9%	12%	—	—	–	160·5	160·5	6176·6	6176·6

Assumption A: No competitive industrial imports. Foreign Exchange deficit determined by minimum import requirements over and above a fixed projection for export earnings of Rs. 690 crores.

Assumption B: Foreign exchange deficit determined by short fall of domestic savings below desired level of gross capital formation.

N.B.:—See Note 5 for explanation.


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Table 5: Price Repurcussions of Imbalanced Growth

Rates of growth		Relative prices in 1970-71	
Agriculture	Industry	Foodgrains to non-food products	Other food products to non-food products
1	2	3	4
2%	10%	4·10	20·71
3%	10%	2·50	6·76
4%	10%	1·72	3·53
5%	10%	1·14	2·64
5%	12%	2·09	3·74

N.B. See Note 4 for explanations.

Table 6: Modified Linear Expenditure System Fitted to N S S Data

Commodity Group	Quantity Fit			Price Fit		
	Parameter		Correlation coefficient between observed and expected	Parameters		Correlation coefficient between observed and expected
	q_i	b_i	r_i	q_i	b_i	r_i
1	2	3	4	5	6	7
Foodgrains	6·00*	0·355	90·5%	5·85*	0·264	99·0%
Other Food Products	4·34	0·302	92·1%	4·23	0·297	98·0%
Non-Food Products	4·98	0·343	96·1%	4·86	0·339	98·2%

* In rupees at 1952-53 prices.

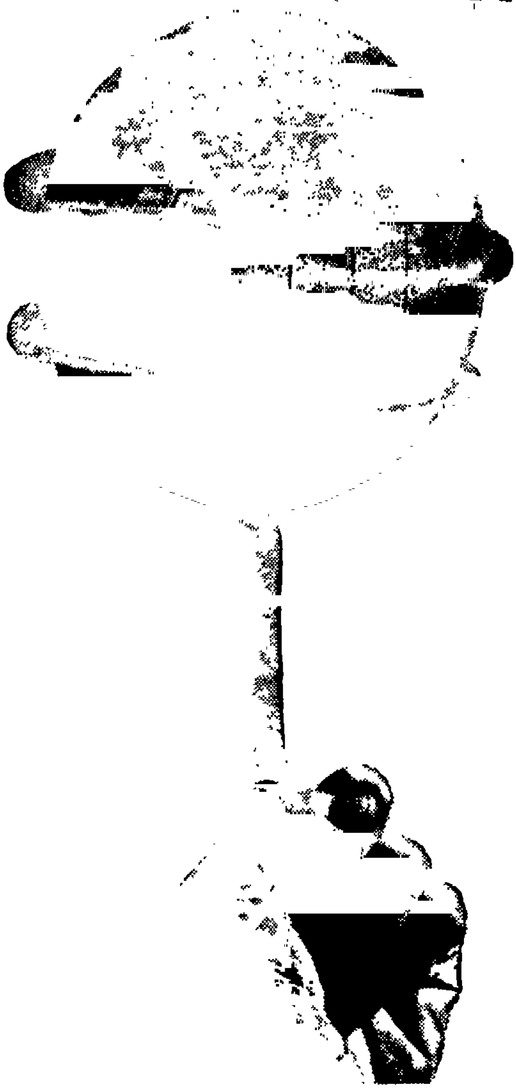
N.B. See note 4 for explanations.

Notes

(1) This inter-industry flow table has been condensed from a 80 sector inter-industry table constructed by the writer and some of his younger colleagues of the Indian Statistical Institute. This particular condensation was worked out by Shri A. V. Ramasunder. The coverage of the first two sectors is as follows:

1. Agricultural production proper (main products only), plantations, animal husbandry and fishery, forestry, food industry, textile industry, leather and leather products, rubber and rubber products.

2. Mining, metallurgical industries, cement, chemicals, crude oil and petroleum refining, glass and



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non-metallic mineral products, engineering industries and construction.

It is to be noted that all other sectors (e.g. trade and commerce, transport other than railway and motor transport, professions, services, housing etc.) are ignored as output sectors, though input into these sectors is shown under the column headed 'others'.

(2) The sector 'Others', by definition, is a residual sector and its treatment in terms of technological input coefficients may not be expected to give very satisfactory results. Similarly, the treatment of stocks in terms of the capital-output ratio is much less satisfactory than the similar treatment of fixed capital formation. The simplicity achieved by treating these two flows in terms of fixed percentages of the total flow is not counterbalanced by the loss in realism. It is to be remembered here that the 'Others' for this purpose would include not only the industries left out in our model but also those industries included in the model for which the input coefficeints have been treated as zero for achieving simplicity. The parameter θ is an innovation introduced for convenience. It is obviously related to the rate of gross savings. It is, however, to be noted that k_d does not equal gross savings. That is because k_d and k_f are both measured in the producers' prices of capital goods. Investment, however, equals the value of capital goods at their market prices. k_f is assumed to be equal to the import surplus over exports (inclusive of invisibles). e_0 includes not only the net invisible earnings but also the domestic trade and transport margin on e_1 and e_2. It is to be remembered that m_1 and m_2 are measured at their c.i.f. prices and in order to be comparable, the exports have to be measured at their f.o.b. prices.

(3) The numerical values for the coefficients b_1, b_2 and b_3 are based on the inter-industry table for 1960-61 for which the values are 0.04, 0.05 and 0.27. The high figure for b_3 is largely accounted for by the large consumption of electricity by commercial enterprises. The value of 0.35 for θ for 1970 corresponds to a rate of gross savings of about 19%. The value of θ for 1960-61 is 0.20 corresponding to a rate of gross savings of about 13%. The increase of 13% to 19% no doubt represents an ambitious target but no more so than currently made assumptions. It is to be remembered here that higher the rate of gross savings, higher would be the rate of growth of industries that would be in balance with a given rate of growth of agriculture. Hence, by choosing a high figure for θ for 1970 we are actually prejudicing our work in favour of a high rate of growth for industries. As to government consumption, it is assumed that its overall magnitude goes up by 150% between 1960-61 and 1970-71 due to expansion of the public services. The composition in terms of the sector and commodity classification is assumed to remain more or less constant. The values for exports according to the sector and commodity classifications are of the nature of projections. The input coefficient for industry into agriculture for 1960-61 is .017. This is raised to .040 to take into account technological changes to be expected in agriculture between 1960-61 and 1970-71 (more of chemical fertilisers, electricity, oil for diesel pumps etc.). The corresponding coefficients of non-food products into foodgrains and other food products in the equation system (22), (23) and (24) are .022 and .027 for 1960-61. They are also each raised to .040.

(4) The Linear Expenditure System developed by Professor Stone and others (See Economic Journal, Vol. LXIV, 1954) satisfies three of the four desirable conditions of a demand function, namely, the conditions of additivity homogeneity and symmetry. The basic relation is:—

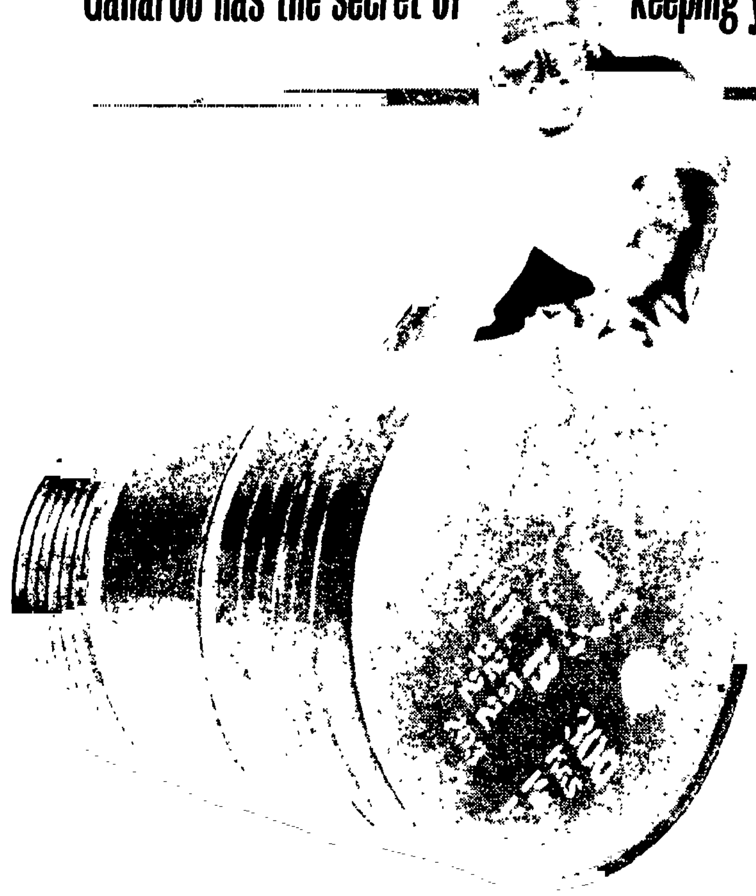
$$q_i p_i = \bar{q}_i p_i + b_i \left[\sum_{j=1}^{n} p_j (q_j - \bar{q}_j) \right]$$

for $i = 1, 2, \ldots \ldots n$

$$b_i \geq 0 \qquad \bar{q}_i \geq 0 \qquad \sum_{i=1}^{n} b_i = 1$$

Where q_i is consumer demand for commodity i in quantity p_i its price. b_i and $\bar{q}_i$ are the parameters. $i = 1, 2 \ldots\ldots n$ constitute an exhaustive classification of all consumer commodities. An extensive application of this function to N.S.S. data had been carried out by Sm. Pushpam and her results show that the function gives excellent account of the variations in the N.S.S. consumption pattern from round to round in relation to the variations in the prices. In the present paper I have made use of two of the interesting fits carried out by her. They are both based on the N.S.S. rounds 8th to 15th and consider three commodity groups, namely, foodgrains, other food products and non-food products. In each case the prices are expressed as index numbers with base at 1952-53. In one case the quantities are treated as given and the prices treated as dependent variables: the results of this fit are used for calculating the price equations (25), (26) and (27). In the other case the quantities are treated as dependent variables and the prices treated as given: the results of this fit are used for calculating the relations (16) and (17) between the demands for the products of the three sectors compatible with stable relative prices. The values of the parameters $\bar{q}_i$ and b_i for these two fits are presented in Table 6 along with indications regarding the goodness of the fits. It is seen that the goodness of fit, as measured

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by the product moment correlation coefficient between observed and fitted values of quantities demanded and prices respectively, are in each case extremely high. It may also be mentioned in passing that none of the tools of demand prediction currently in use in India (mostly constant elasticities based on single rounds of the N.S.S.) give any where near comparable fits to observations ranging over a period. In order to obtain relations (25), (26) and (27) we have made use of the following relations between H_1, H_2 and H_3 (which are total annual consumption at 1960-61 producers prices) and q_1, q_2, and q_3 (which are monthly per capita consumption figures at 1952-53 market prices):

$$H_1 = \frac{q_1 \times 10^6}{1898}$$

$$H_2 = \frac{q_2 \times 10^6}{1368}$$

$$H_3 = \frac{q_3 \times 10^6}{2408} \times \cdot 7617$$

It is to be noted that q_3 represents all non-food consumer goods according to N.S.S. definitions where as H_3 represents only non-food products covered by the 30 sector inter-industry classification scheme. In order to obtain the relations (16) and (17) between h_1, h_2 and h_3 which are the household consumption of the products of sectors 1, 2 and 3, we first write out a set of relations akin to (25), (26) and (27) but not identical to them as we now use the quantity fit for the demand functions. Then we eliminate from these expressions p_1, p_2 and p_3 by substituting for them their values at $t = 1959$-60 (the values are 1.074, 1.229 and 1.168) and then substitute for H_1, H_2 and H_3 by h_1, h_2 and h_3 in terms of the following relations:

$$h_1 = H_1 + 0 \cdot 585\ H_3$$

$$h_2 = 0 \cdot 325\ H_3$$

$$h_3 = 0 \cdot 140\ H_3$$

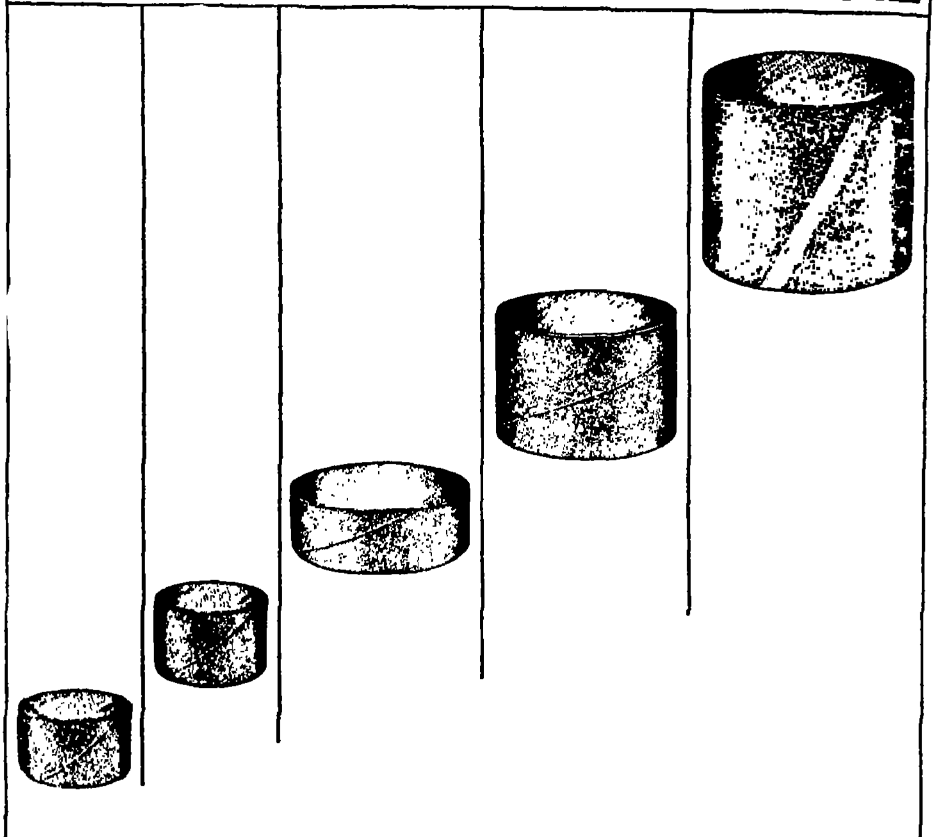
Household consumption of food products, H_3, is split up into three parts in the proportions 0.585, 0.325 and 0.140. The latter two parts are composed of the products of sectors 2 and 3. The first part is a product of the first sector which also accounts for H_1 and H_2.

(5) It is an interesting feature of the two models represented by the equation systems (9), (10) and (11) and (22), (23) and (24) that the exports and imports of industrial products do not enter in any way the relations between output, household consumption and the prices of consumer goods. That is because in either case fixed capital formation takes place entirely out of the products of a single sector: sector 2 in the model represented by equations (9) to (11) and sector 3 in the model represented by equations (22) to (24). The import surplus of that sector gets cancelled against the same quantity occuring as a part of the excess of capital formation over domestic savings. The indeterminancy of the import surplus of industrial products is matched by the indeterminancy of the size and rate of investment. It is, however, necessary to make certain assumptions for e_2 and m_2 if one wants to calculate the difference between foreign exchange earnings and requirements. As to exports we take the approach of making simple projections, for non-competitive imports we link them to corresponding domestic production by fixed coefficients. The coefficients 0.010 and 0.085 for agriculture and industry represent the maximum limits of import substitution that may be expected to be reached by 1970-71. Competitive import of agricultural products would be called for to satisfy the condition of maintaining stable relative prices as well as fulfil the export targets. Competitive import of industrial products would, however, be called for only if one desires to have (this constitutes assumption *B*) a level of capital formation higher than what would result from domestic savings plus only such import surplus that would result if the imports consist exclusively of the non-competitive import requirements (this constitutes assumption *A*). Capital formation thus resulting corresponding to various relative rates of growth is shown in column (8 of table 4. Competitive import of industrial products is shown in column (5) and the foreign exchange deficits under the two assumptions in columns (6) and (7). If the entries in column (5) do not equal the difference between columns (9) and (8) that is because the entries in these two columns are at market prices where as those of column (5) and all other figures are in producer's prices. The formula for capital formation at market price is:—

$$(k_{a} + k_{ft}) \quad 1 \cdot 10$$

Where k_{a} and k_{ft} are as in (7) and (8) and the factor 1.10 is brought in to transform the measure from producer price units to market price units. The fact that competitive import of industrial products increases while that of agricultural products decreases is explained by the fact that the former is called for only to meet the short-fall in domestic resources in relation to a desired level of capital formation. Hence greater the import surplus in agricultural products less the need for import surplus in industrial products.

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Business Notes

Tata Chemicals

THE performance and financial results of Tata Chemicals for the year ended June 30, 1964 fully justified the optimistic forecast made by the Chairman the previous year. Production of soda ash exceeded the rated capacity of 400 tons per day, and gross revenues and profits rose by Rs 44 lakhs and Rs 40 lakhs, respectively. Total production of soda ash during the year amounted to 153,000 tons representing an increase of 19 per cent over the previous year. From this output, 31,000 tonnes of dense ash were produced, and this was 44 per cent higher than the 21,000 tonnes produced last year. The higher production of soda ash was achieved in the face of exceptionally difficult conditions caused by a virtually total failure of the monsoon and the untimely occurrence of a cyclonic storm flooding the salt works.

As regards other products, output of sodium bicarbonate was reduced during the year from 8,200 tonnes to 6,800 tonnes due to sales difficulties. Out of this, output of sodium bicarbonate of pharmaceutical quality was substantially increased to 2,200 tonnes during the year. Caustic soda production amounted to 4,000 tonnes against an installed capacity of 7,000 tonnes. The lower output was due to insufficient utilization of chlorine generated as a by-product. Production of copper oxychloride was doubled at 800 tonnes. Total harvest of salt from Mithapur and Okhamadhi areas amounted to 314,000 tonnes compared with 245,000 tonnes last year. The Mithapur area alone accounted for 225,000 tonnes and the higher lifting of salt was achieved by technological innovations in spite of poor monsoons and untimely rains and storms. Production of different varieties of bromides increased by 22 per cent but due to fall in sales and accumulation of stocks, their manufacture has been temporarily suspended from the beginning of the current year.

The value of all products sold aggregated to Rs 7.56 crores as against Rs 7.15 crores last year recording an increase of 5. 76 per cent. The price control on soda ash and caustic soda was lifted last year by the Government and the Company was probably alone among producers to hold the price line. The operating profits before providing depreciation were substantially higher at Rs 174.10 lakhs compared with Rs 134.06 lakhs. Higher production, larger sales, lower costs of production, increased efficiency, etc, all contributed to the increase in profits in spite of adverse factors, such as increase in the prices of fuel and other raw materials and use of sea water in place of fresh water besides the natural calamities referred to above. The amount provided for depreciation was Rs 69.50 lakhs as against Rs 44.18 lakhs. Taxation provision also took away the considerably larger amount of Rs 35.25 lakhs (Rs 10.40 lakhs in 1962-63) although the Company did not attract sur-tax liability owing to the size of its capital base. The net profit, therefore, fell to Rs 69.35 lakhs from Rs 79.48 lakhs. However, as development rebate reserve absorbed only Rs 10.88 lakhs (Rs 41 lakhs in 1962-63) there was available a larger disposable balance of Rs 58.46 lakhs (Rs 38.48 lakhs) which enabled the Directors to allocate Rs 11.85 lakhs (Rs 3.94 lakhs) to General Reserve and Rs 46.62 lakhs (Rs 34.55 lakhs) to dividends. The preference dividend absorbed Rs 4.28 lakhs (same) and the Ordinary dividend has been stepped up from Re 1 to Rs 1.40 per share of Rs 10, inclusive of a bonus of 15 P.

The Company has now completed twenty-five years of its existence and, in this period, its paid up capital has increased from Rs 66 lakhs to Rs 362 lakhs, its gross block from Rs 35 lakhs to Rs 1,014 lakhs and its gross revenues from Rs 5 lakhs to Rs 771 lakhs. Above all, an arid tract has been converted into a dynamic industrial area in the midst of a rural community.

The Company has plans to expand its soda ash capacity from 400 tonnes per day to 600 tonnes per day within two years with the Company's own resources. Schemes for the engineering and financing of a further major expansion are also now in the process of preparation. With the managerial and technical knowledge and skills and financial strength which it has acquired now, the Company hopes to make rapid and continued progress in the years to come subject to extraneous circumstances and policies affecting the industry at large.

Investment Corporation of India

DIVIDEND and interest income of the Investment Corporation of India rose during the year ended June 30, 1964 from Rs 30.81 lakhs to Rs 38.32 lakhs. A part of the increase of Rs 7.51 lakhs was due to receipt of previous year's dividends as well as receipt, before the year-end, of dividends normally due later. Other incomes were also more at Rs 9.53 lakhs as against Rs 7.77 lakhs. The Agency Commission and Allowances earned from Companies which are serviced by the Corporation as Secretaries and Treasurers were higher at Rs 4.40 lakhs (Rs 3.93 lakhs). Pre-tax profits at Rs 30.83 lakhs exceeded last year's by Rs 9.02 lakhs and taxation absorbed more at Rs 9 lakhs (Rs 8.12 lakhs). There then remained a balance of Rs 21.83 lakhs compared with Rs 13.69 lakhs previously. Adding thereto the previous year's balance, the amount available for allocation came to Rs 21.84 lakhs (Rs 15.01 lakhs) from which Rs 4.19 lakhs (nil) were transferred to different Reserves and Rs 17.50 lakhs (Rs 15.00) were made available for distribution of dividends. While preference dividend took away Rs 3.15 lakhs (Rs 2.08 lakhs), the Ordinary dividend was stepped up from Rs 7.50 to Rs 8.50 per share of Rs 100 absorbing Rs 14.47 lakhs (Rs 12.77 lakhs).

The valuation of investments at the close of the year showed a small depreciation of Rs 1.65 lakhs against the cost of Rs 557 lakhs. The Capital Reserve at the end of the year stood at Rs 115.05 lakhs being Rs 18,812 more than last year. The Corporation extended its activities further during the year, being entrusted with the

Investment Corporation of India

(Rupees lakhs)

	1961-62	1962-63	1963-64
Dividends and other incomes	37.72	38.58	47.85
Profit before taxation	23.75	21.81	30.83
Taxation	1.75	8.12	9.00
Profit after taxation	22.00	13.69	21.83
Dividends	19.38	14.84	17.62
Dividend rate (per cent)	9.5	7.5	8.5
Capital Reserves	114.2	114.9	115.1
Other Reserves	20.7	34.2	40.9

work of acting as Registrars for the initial issues of capital by Fibreglass Pilkington Ltd, Chemicals and Fibres of India Ltd, and Cochin Refineries Ltd.

Goodyear India

GOODYEAR India, Calcutta, has plans to expand the productive capacity of its Ballabhgarh factory from 210,000 to 310,000 tyres per annum. This would result in a rise in the daily output from 750 to 1,000 tyres. The expansion is hoped to be achieved before the end of 1965. The Company has got its licence renewed until 1968 to manufacture 510,000 tyres.

For financing the expansion, 640,000 equity shares of Rs 10 each at a premium of Rs 7 per share will be issued to the existing Indian shareholders in the ratio of 8 shares for every 5 shares held. The parent Company, the Goodyear Tire and Rubber Co of Akron, Ohio, USA, will provide the foreign exchange in dollars for the value of about Rs 80 lakhs in the form of a long-term loan to obtain the necessary plant and machinery. That Company, however, will not be participating in the new issue. By this new issue, the *Indian participation in the Company's capital will increase from 20 per cent to about 40 per cent.* The issue of *bonus shares utilizing the share premium account, subject to Government consent,* is also under contemplation.

Goodyear India's current working is reported to have improved much. Sales from January to September 1964 have exceeded Rs 9 crores as against Rs 7.2 crores in the corresponding period last year. The profit for the period is estimated at Rs 22 lakhs as against a loss of Rs 51 lakhs in the same period last year.

Hindustan Dowidat Tools

HINDUSTAN Dowidat Tools, an Indo-German venture, has started manufacturing hand tools from April last. Production is stated to have reached a satisfactory level both in quality and quantity. Difficulties in the import of raw materials have now been overcome. With a view to introducing a second shift, efforts are being made to accelerate the workers' training programme.

The Accounts for the year to March 1964 showed a deficit of Rs 9.61 after capitalising *Rs 5.57 lakhs* as project cost which raised the fixed assets of the Company to Rs 44.43 lakhs.

Larsen and Toubro

SALES effected by Larsen and Toubro for the half year ended September 30, 1964, amounted to Rs 354 lakhs compared with Rs 275 lakhs in the corresponding period last year. This represents an increase of 29 per cent. Output at the Powai workshops is also higher by 21 per cent in the same period.

Around Bombay Markets

As our Market Correspondent is away on a vacation, Around Bombay Markets does not appear this week.

—*Editor.*



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CURRENT STATISTICS

BANKING RETURNS

(Rs crores)

Reserve Bank	Oct 30	Oct 23	Oct 2	Nov 1, '63
1 Note circulation	2397.28	2409.29	2370.28	2243.92
2 Rupee coins	107.04	106.72	109.52	120.95
3 Deposits				
(a) Central govt	95.93	83.45	75.92	48.68
(b) Other govts	11.73	12.59	14.78	7.37
(c) Banks	92.32	104.12	105.87	101.10
(d) Others	142.16	137.99	136.42	163.77
4 Foreign securities	85.46	85.46	85.46	92.46
5 Balance abroad	47.27	8.76	10.35	7.31
6 Rupee securities	2121.17	2121.17	2086.33	1939.31
7 Investments	104.39	107.01	77.69	230.10
8 Loans and Advances to Govts	75.48	73.19	63.46	64.22
9 Other loans and advances	174.01	164.12	167.01	138.65

Scheduled Banks	Oct 23	Oct 16	Sep 25	Oct 25, '63
1 Aggregate				
Deposits (net)	2529.17	2510.79	2518.76	2233.56
Demand (net)	1197.76	1173.24	1138.77	974.75
Time (net)	1331.42	1337.54	1379.99	1258.81
2 Cash in hand	68.68	65.91	61.09	56.46
3 Balance with Reserve Bank	119.79	104.46	103.39	113.77
4 (2) + (3) as % of (1)	7.45	6.79	6.53	7.62
5 Borrowings from Reserve Bank	0.60	4.18	0.90	1.88
(a) against usance bills and/or promissory notes	—	1.78	0.20	—
(b) Others	0.60	2.40	0.70	1.88
6 Advances	1446.87	1459.58	1460.75	1237.66
(a) State Bank	—	311.55	311.69	233.87
(b) Others	-	1148.03	1149.06	1003.79
7 Bills discounted				
(a) Inland	183.92	182.74	175.52	173.98
(b) Foreign	72.11	73.48	68.44	57.31
(c) Total	256.03	256.22	243.96	231.29
(i) State Bank	---	17.76	19.47	16.65
(ii) Others	—	238.46	224.49	214.64
8 (6) + (7) as % of (1)	67.33	68.34	67.69	65.77
9 Investment in Govt securities	839.45	817.64	814.90	759.34
10 (9) as % of (1)	33.19	32.57	32.35	34.00

BOMBAY MONEY RATES

(per cent)

	Oct 23	Oct 16	Sep 25	Oct 25, '63
Call money from Banks	1.25	2.25	1.41	2.48
Deposits				
Seven days	—	—	3.00	3.00
Three months	4.00	4.00	3.50	3.50
Six months	4.50	4.50	3.75	3.75

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

Food Articles	*171.9*	*172.3*	*168.3*	*139.0*
Cereals	151.3	151.9	149.0	118.9
Pulses	189.3	188.7	172.0	113.0
Fruits & Vegetables	190.1	185.9	182.9	118.6
Milk & Ghee	145.9	145.7	145.8	129.5
Edible Oils	233.3	233.6	213.0	151.7
Fish, Eggs & Meat	163.1	166.3	176.3	145.9
Sugar & Gur	213.1	212.5	212.0	213.3
Others	178.3	182.0	184.3	178.4
Liquor & Tobacco	*133.0*	*133.0*	*131.1*	*119.9*
Tobacco	130.8	130.8	128.8	117.1
Fuel, Power, Light & Lubricants	*144.5*	*144.4*	*143.7*	*139.1*
Industrial Raw Materials	*171.2*	*171.3*	*169.9*	*138.9*
Fibre	145.1	144.9	151.3	131.1
Oil Seeds	219.2	219.7	209.9	157.3
Minerals	103.7	103.7	103.7	91.5
Others	135.2	135.1	134.3	122.4
Manufacturers	*138.4*	*137.9*	*137.0*	*131.1*
Intermediate Products	*154.7*	*152.0*	*150.5*	*138.8*
Finished Products	*135.8*	*135.5*	*134.8*	*129.9*
Textiles	133.8	133.8	133.0	127.9
Cotton	136.6	136.7	136.5	135.5
Jute	123.5	123.5	119.4	135.5
Woollen	169.2	169.2	169.2	156.6
Silk & Rayon	133.7	133.7	136.3	137.3
Metal Products	169.1	169.1	161.1	163.7
Chemicals	120.5	120.5	120.4	117.6
Oil Cakes	209.2	202.8	197.7	164.1
Machinery & Transport Equipment	127.1	127.1	127.1	124.2
Others	127.8	127.8	127.8	128.9
All Commodities	*160.4*	*160.5*	*158.0*	*136.3*

INDIA'S FOREIGN TRADE

(Rs. lakhs)

	July '64	June '64	July '63	1963
Imports	91,15	80,23	89,54	95,30
Exports	66,9[illegible]	74,05	62.89	65,85
Balance of Trade	—23,96	— 5,96	—26,35	—29,12

Source: Department of Commercial Intelligence and Statistics, Ministry of Commerce.

EMPLOYMENT EXCHANGES

	July '64	June '64	July '63	1963
No of Exchanges	363	363	350	355
No of Registrations	426.5	385.9	466.2	345.9*
Applicants on Live Register	2636.9	2542.3	2743.8	2518.5**
No of Vacancies notified	82.8	87.4	77.8	75.7*
Total Placements	46.5	45.4	45.3	45.4*

Note: All figures except no of exchanges are in thousands.
* Monthly Average
** Year-end Figure

Source: Ministry of Labour and Employment.

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The Congo's Masters

NEO-COLONIALISM has nowhere been more brazen, nor perhaps more successful, than in the Congo. Five days after Belgium had formally granted independence in June 1961 Belgian troops were back in the country. The excuse was the mutiny of the Force Publique against its Belgian officers. This week they were back again—ostensibly on the humanitarian mission of rescuing hostages held by the rebel regime in Stanleyville. Whether this was the purpose or, as on the earlier occasion, merely the excuse, it is not yet absolutely clear. But despite the barrage of calculatedly alarming reports about the dire plight of the hostages, it is certainly not to be ruled out that the hostages in rebel hands provided an excellent excuse for the U S and Belgium to directly intervene in the fighting in the Congo to deliver the *coup de grace* to the Stanleyville regime. Indeed, the deliberateness with which the talks over the hostages were called off in Nairobi and the decision taken to land troops in Stanleyville, after the rebels had allegedly threatened that the hostages would be murdered at the first sign of the landing of foreign troops, would appear to suggest that the Belgians and the Americans were quite prepared to sacrifice the hostages, if necessary, to achieve their political objective. Indeed the larger the number of hostages murdered, the greater would appear to be the justification for the US-Belgian action and the more muted likely to be international criticism of what was, in effect, plain armed intervention in the Congo.

The purpose of the operation—to break the back of the rebels—has been achieved as expected, but world opinion has not been fooled as successfully. Kenya, whose Prime Minister is chairman of the *ad hoc* committee of the Organisation for African Unity on the Congo, which was trying to bring about a negotiated settlement between the Leopoldville Government and the rebels, has termed the landing of Belgian troops as a "military attack" by Belgium and the US and charged the two countries with the responsibility for the death of the hostages who were killed by the panicking rebels. President Ben Bella of Algeria has condemned it as an "unspeakable aggression" for which the hostages were merely a pretext.

The direct involvement of the United States in the attack on Stanleyville as well as in the Leopoldville Government's campaign, carried out mainly with white mercenaries, against the rebels indicates the change in the power balance among the neo-colonialists in the Congo. The Americans got a firm foothold in the Congo when the U N moved in, within days of the country's independence, to secure the withdrawal of Belgian troops and to end the secession of the province of Katanga. The US strategy, so graphically described by the former UN Representative in the Congo, Conor Cruise O'Brien, in his book "To Katanga and Back", was to support UN operations while keeping them firmly under American control and tied to American objectives. The result was the installation in Leopoldville of the puppet government of Kasavubu and Cyrille Adoula and eventually the extension of US sway over the entire country when Katanga finally recapitulated under persistent U N pressure. The strategy at times brought the US into conflict with Belgium, Britain and France who were anxious to keep American influence out of mineral-rich Katanga. Thus while they supported tacitly, and at times almost openly, Katanga's secession, the US appeared as the champion of the U N.

With the success of US strategy, there has been a realignment of forces

and the Belgians and their man, Tshombe, have gone over to the US as it were. Hence the spectacle of the US and Belgium being the principal participants *in this week's action in Stanleyville.* Britain did allow the use of her Ascension Island base as a staging post to US planes and Belgian troops but, according to the British Minister of State for Foreign Affairs, it was an "agonising decision". It is not necessary to disbelieve this, the agony being caused not so much by any scruples about the propriety of the venture as by the realisation that it marked practically the culmination of the extension of US influence in the Congo.

The US, then, is today top dog in the Congo Africa's third biggest country and, of course, the richest. With liberal financial assistance, and military support if necessary, from Washington, Tshombe's Government in Leopoldville may be expected to get the better of its adversaries. Whether it will achieve stability for the country is quite another matter. Tribal rivalries and racial hatred, the control of the economy by a few giant non-African corporations and, of course, the abject poverty of the mass of the people can be depended upon to keep tensions at fever pitch with generous assistance from foreign powers uneasy at US dominance. The turmoil in which independent Congo was born and which has marked almost every day of its existence since then, will continue till a Congolese leader emerges who can do without American or Belgian or, for that matter, Russian or Chinese crutches. But here is a vicious circle as long as the Union Miniere and the other foreign corporations control the economy and foreign powers dominate the politics, no such leader will be allowed to emerge.

Soaring Cotton

NEVER have cotton prices been so high, certainly not at this time of the season. On November 25 the cotton hedge contract was pushed beyond the permissible ceiling during the pre-delivery period (Rs 775 per 3 quintals). Cotton futures have shot up by Rs 53 in a matter of some six weeks. The rise has been even more pronounced in the spot market where prices have gone up by Rs 100 to Rs 125 per candy during the same period. New crop cottons have pierced the overall ceilings and are quoted higher than the highest levels recorded in recent years. At these prices, Indian cottons are about Rs 200 a candy more costly than comparable foreign cottons.

The current high prices suggest near famine conditions in cotton. But, strange as it might appear, the supply position of cotton is far from being uncomfortable. Though earlier estimates of production have been revised downward, the crop is not placed below 60-61 lakh bales. Taking into account the record carryover of 26 lakh bales and normal imports of 7 to 8 lakh bales, the total supply should be quite adequate to take care of increased mill consumption and normal export of some 3 lakh bales, without seriously affecting the carryover at the end of the season. In the circumstances, the prevailing high prices of cotton seem altogether unwarranted and cannot be explained except in terms of heavy speculative activity in both futures and spot markets.

That half a dozen big speculators have a strangle-hold of the futures market is common knowledge. No doubt, the market has not been confronted with any payments crisis, but that does not indicate the extent of speculative activity. There are several instances of the Forward Markets Commission having intervened in the market in far less difficult circumstances. But, surprisingly, the Commission has not found it necessary even to warn the trade against rigging up prices.* Can it be that the Commission has been brainwashed to believe that the market should not be tampered with so long as solvency is not threatened?

While the Forward Markets Commission could plead—without convincing any one, of course—that the futures market has been moving within the permissible limits and that it has risen far less than the spot market, there can be no denying that the authorities entrusted with the task of administering price control over cotton have failed miserably to do their job. It is now over a fortnight since spot cotton prices pierced the overall ceilings, but nothing has been heard about compulsory survey and requisitioning which are prescribed in the event of prices rising above the ceilings. The slow pace of arrivals indicates that the growers are reluctant to part with the produce even when it is fetching ceiling prices. Cotton has not yet moved into the market in quantity. Stocks are being held at the producers' end. This probably explains why the authorities have not taken any action.

The question of keeping cotton prices under check is of particular significance in view of the partial control over cloth production and prices. The Indian Cotton Mills' Federation has not lost any time in pointing out to the Government that it should either take immediate steps to supply cotton to the industry at prices within the existing ceilings, or, alternatively, refix prices of the controlled varieties of cloth on the basis of ruling cotton prices. Insofar as cloth prices have been linked to cotton prices, the Federation expects its demand to carry conviction and the Government, if it does not wish to revise cloth prices within weeks of imposition of control, will have to make a determined effort to keep cotton prices at the level which provides the basis for the existing cloth prices.

There is, however, no reason to swallow the Cotton Mills' Federation's other suggestion that the best way to solve the problem of cotton prices chasing the ceilings will be to abolish ceilings altogether, prescribing only support prices. For one thing, there is little evidence to show that cotton production is price-elastic. Second, Indian cotton prices are already substantially higher than those of comparable foreign cottons and domestic prices cannot be allowed to rise further without seriously undermining the competitive capacity of Indian textile exports.

Latest reports from New Delhi indicate that the steep rise in cotton prices has not, after all, entirely escaped the Government's attention. A spokesman of the Commerce Ministry is reported to have described the rise as thoroughly unwarranted and assured the industry that all its requirements would be met. It is amusing to hear the official spokesman declare hopefully that "with the co-operation of the mills, the trade and growers, conditions in the cotton market would settle down soon". Certainly, any difficult situation could be tided over if all the conflicting interests suddenly

* As we go to press the FMC has withdrawn the free limit of 1,000 bales for margin payments in respect of hedge trading. This step has little significance since the margin becomes operative only when cotton futures rise above Rs 775 and that is permissible only during the delivery month, i e, March.

decided to co-operate with one another. The question is what is to be done when the necessary co-operation is not forthcoming.

It is time that the Forward Markets Commission took stern measures to discourage bull manipulation. New Delhi also should move more nimbly to enforce strictly the price control over cotton. Requisitioning and compulsory survey must be started immediately and farmers and traders contravening the cotton control order must be dealt with severely. In addition, import of foreign cotton should be expedited. Meanwhile, the Indian Cotton Mills' Federation also might try to enforce some discipline on member mills and persuade them not to purchase cotton at above the ceiling prices.

Weekly Notes

Cold Feet Over Decontrol

DRAGGING one cold foot after the other, the Government appears inclined to reverse the policy of decontrol of industrial products initiated last year in September. Experience, it is alleged, has shown that decontrol led to a rise in the prices of decontrolled items, without inducing larger investment to step up production. It is also suggested that re-control would be logically consistent with the tightening up of controls on the prices and distribution of foodgrains. These reasons are specious and the proposed move is hasty and ill-conceived.

The decontrol measures initiated last year were not inspired by expectations of an early or immediate rise in production and investment. They were based upon an altogether fresh approach to the question of price and distribution controls. The main objectives were to (i) restrict controls to a few items only instead of spreading them out thinly and ineffectively over a wide area, and (ii) divert monopoly profits arising out of shortages from intermediaries to producers. Besides, the Raj Committee report on steel distribution greatly strengthened the feeling that, priority consumers apart, prices should reflect relative scarcity and the market mechanism should be allowed to function, subject to the safeguard of various kinds of buffer stock operations. Nobody expected scarcity to disappear and some rise in prices was taken for granted but this rise, it was hoped, would not exceed the premia which consumers were in any case paying on the controlled prices.

In the case of steel, about which the Government is said to be particularly upset, it is reported that prices of (decontrolled) structurals and heavier sections like joists, channels and angles are quoted at prices 25 to 50 per cent higher than those fixed by the Joint Plant Committee. True, joists are particularly scarce at the moment, largely due to defence requisitions, but then the great majority of decontrolled products are, in fact, being sold in the market at JPC prices, if not lower. Premium prices relate in most cases to products which are hardly available at all due to certain bottlenecks at the JPC and plant levels. The trade confidently asserts that even a few wagon loads and slightly more regular supplies could eliminate many of these premia. While trade opinion need not be accepted as the gospel truth—traders are definitely compensating their losses on some items by hoarding those in short supply—, there is no doubt that the distribution arrangements are working more satisfactorily than in pre-decontrol days. The market, as a whole, is more competitive and evens out fluctuations in demand and supply less ineffectively than earlier. The difficulties that persist in some structurals and sections would also have eased considerably if the consuming industries had made greater progress in standardising their specifications and thereby reducing the number of varieties which they demand.

The so called price distortions and cost increases of which much is being made in New Delhi need to be appraised in the broader context of aggregate and relative price movements rather than in isolation. Precisely how far has decontrol raised actual costs? To what extent has higher cost been worthwhile in terms of easier or more flexible availability of materials? Is the increase in these particular costs proportionately greater than that for materials which are not involved in this controversy?

A return to controls over a very large number of commodities and at all levels would be an unwise step. The price indices (defective though they are) for materials, intermediates and manufacture have not risen at a rate such as to call for a reversal of policy and the rise itself has been brought about to some extent by the sharp increase in labour costs. To control all "essential commodities", regardless of their relative essentiality *inter se* and the essentiality of the consumption without giving sufficient time for spreading the impact of decontrol would only help to accentuate and perpetuate shortages. The task of demarcating areas of control and decontrol on a rational basis, begun rather half-heartedly earlier, needs to be completed. Nothing has happened to warrant a hasty scamper back to haphazard controls.

Curb On Clean Advances?

THE search for explanations of the seemingly unending rise in prices has produced various types of scapegoats. In keeping with this pattern, the Reserve Bank has been pointing an accusing finger at banks' clean advances as the loophole through which inflationary forces get around its gallant efforts in the field of monetary policy.

Over the twelve months ended February 1964, banks' clean advances increased by 29 per cent, from Rs 220 crores to Rs 286 crores. In a letter to the banks in March the Reserve Bank had drawn their attention to this "inordinate rise" and directed them to bring down the level of clean advances other than to industrial borrowers. Despite this fiat, clean advances declined by only Rs 20 crores between February and August. Clearly, slack season contraction is becoming smaller relative to the expansion in the preceding busy season. And so the Reserve Bank is now contemplating imposing a curb on unsecured advances and as its own contribution to the effort to bring down prices.

To the extent clean advances provide the wherewithal for speculators to operate with, a curb on them will be welcome. But how will the Reserve Bank differentiate between speculative and non-speculative clean advances? And if a distinction is not made, any curb will create serious difficulties for industries which, surely, is not part of the Reserve Bank's objective.

No less fine is the line between secured and unsecured advances. Thus purchase of a D A bill is regarded as a clean advance because the goods which

form the security against the bill are not in the possession of the purchasing bank or its correspondent. If. however, the bill is drawn against a Letter of Credit issued by a bank in the importing country, the purchasing bank holds the Letter of Credit as the security and not the goods against which the bill is drawn. To hold advances against such a D A bill as unsecured makes no sense.

Again, pre-shipment advances are often made by banks under authorisation of foreign banks incorporated in Letters of Credit and goods remain in the possession of the exporters for processing or export clearance. So long as banks conform to the terms of the authorisation, the advances made by them are perhaps more secure than even those made against goods actually in their possession.

Banks often grant clean advances to their A I customers whose standing and stability are beyond doubt. But recently *many banks, it appears, have been forced* by the Reserve Bank inspectorate to convert such advances into secured advances by making the borrowers sign hypothecation documents. This is curious indeed; how can advances against goods which are in the possession of borrowers be regarded as secured even if the borrowers have signed hypothecation documents? The value of the security offered by these documents cannot be more than that of a promissory note executed by the borrower. Violation of the terms of the hypothecation may be a criminal offence, and to that extent such violation may be restrained, but that cannot make such documents more valuable as security than promissory notes. Banks can close a hypothecation and seize the hypothecated goods *but an unscrupulous borrower* can empty the hypothecated godowns before the banks take possession of them.

To change well-established practices in banking is not easy and the difficulties are magnified manifold when changes are imposed without proper consideration. If the Reserve Bank intends to issue directives restraining clean advances, it must clearly define such advances and also make the definition reasonably flexible so that accepted banking practices are not unnecessarily disturbed. In this context, it is well to recall that the definition of *net liquidity* for the purposes of the Reserve Bank's latest credit policy had to be amended within two months of its formulation and perhaps further amendments are yet to come. It is to be *hoped that if and when the Bank issues any directives on clean advances, the definition of such advances will not be subject to periodic amendments.*

Reform Through Newsprint

THE executive's temptation to nibble at the liberties of the individual to suit the exigencies of administration is constant. The Information and Broadcasting Minister, Mrs Indira Gandhi, was succumbing to this temptation when she told the Rajya Sabha on Tuesday that the Government would seriously consider whether newsprint and other facilities should not be denied to newspapers which were "anti-social". Precisely what type of newspapers she had in mind, she did not make explicit, but from the brief exchange between the Minister and Members it appeared that "communal" and "pernicious and blackmailing newspapers" would fall in this category. The problem is not of definition, however. What is alarming is the attitude which sees nothing wrong in the executive assuming powers of summary judgment in matters involving denial of the most fundamental of individual freedoms and using, besides, whatever means are available to it for enforcing these judgments.

No doubt communalism continues to be a genuine problem, and, as the riots in eastern India proved not so long ago, inflamed and biased reporting and comment in newspapers can effectively destroy communal harmony patiently built up over years. Similarly, there are of course, newspapers which may with much justification be described as "pernicious and blackmailing". None of this, however, justifies the arrogation by the executive of the power to arbitrarily circumscribe the individual's fundamental right to freedom of speech and expression guaranteed by Article 19 of the Constitution and, worse still, to attempt to do this deviously in the discharge of the purely administrative responsibility of allocating scarce newsprint. The fundamental rights are justiciable, indeed that is what makes them the foundations of our democratic political order. Any attempt to deny them to particular individuals, on whatever grounds, in such a manner as leaves them without appeal to the courts strikes at the basis of democracy.

It is not that the Government is powerless against newspapers which attempt to disrupt communal harmony. Article 19 of the Constitution has been amended to enable such newspapers to be prosecuted in the courts. But it is *for the courts alone to judge and to punish. Any attempt by the executive to circumvent this process is undemocratic. It is surprising that the Minister* for Information and Broadcasting should need to be reminded of this.

Staving Off Devaluation

RAISING the bank rate from 5 per cent to 7 per cent is a further emergency measure by the British Government to prevent the country's balance of payments deficits for 1964 from getting any larger than the expected record figure of £800 million. What forced its hand was the flight abroad of short-term funds from London. On Friday (20th November) alone that flight amounted to about 20 million pounds.

This hurried transfer of hot money from London was apparently induced by an expectation of imminent devaluation. The 15 per cent surcharge on imports came into effect only five days before the end of October and has not yet had any significant impact on the balance of payments. On the other hand, since the beginning of September alone the drain on the UK's foreign exchange reserves has amounted to £ 200 million. Short-term money has been flowing out of London with such consistency for the last many weeks that it is likely to exhaust the whole of the standby credit of £ 357 million which was arranged with the I M F in July.

Though it does not seem to have been recognised by anybody, the expectation of devaluation has in all probability been encouraged by the knowledge that in the not very remote past one or two of the new government's important consulting economists had vigorously advocated devaluation for Britain. That this expectation has not been squashed is suggested by the reported renewed pressure on the pound on Tuesday.

The British Government, of course, raised the bank rate by 2 per cent in the hope that it will result in a dramatic reversal of the movement of hot money—by making it more profitable to hold it in London rather than abroad. But that hope can be fulfilled only if there is no longer any expectation of devaluation. But it would seem that for the moment the expectation persists in some degree and to that extent the impact of substitute measures taken by the Government is reduced.

It is being said that the British economy can ill afford a tight money policy at this time. The rate of growth

of G N P during the first half of 1964 has been only 1.5 per cent as against the target of 4 per cent. But the effect of a high bank rate on industrial investment can be easily exaggerated; there is plenty of recent evidence to suggest that in Britain at least industry invests when it feels induced to invest, largely out of its own accumulated funds and quite irrespective of the bank rate.

The British move has had some repercussion abroad. The U S A has felt it necessary to forestall any increased pressure on the dollar by a large transfer of funds from New York to London by raising the Federal Reserve Board's discount rate from 4 to 4½ per cent. Similarly the Bank of Canada has raised its bank rate from 4 to 4½ per cent.

The reported renewed run on sterling started within 30 hours of the announcement of the rise in the bank rate. It is believed that the Bank of England has been trying to give support to the pound through official brokers and that this support had cost the Bank, between Friday and Wednesday, an amount of gold and hard currency which is estimated at $170 million dollars. The Bank of England has also announced that eleven central banks and the Bank for International Settlements have made available $3000 million for support of the pound. Whether these steps will work or whether the renewed pressure on the pound will continue and force the Government to adopt further emergency measures, remains to be seen.

Defence Aid from UK

DEFENCE Minister Chavan has returned from his London talks with a number of promises of help in his pocket; there have been disappointments too. The final results of these talks, as Chavan told the Lok Sabha on Thursday, will be apparent only after the Labour Government completes its review of U K's defence and financial policies.

The British Government has agreed to provide foreign exchange and technical help for building in a British shipyard one modern submarine for the Indian Navy. Until this submarine is acquired, the Royal Navy will second one of its own submarines for training Indians for a few months each year. Chavan also signed a formal agreement in respect of the £ 4.7 million loans for rebuilding the Mazagaon Dockyard and building there three 'Leander' class frigates which the Tory Government had approved in September. Besides, though neither the joint communique issued in London nor Chavan's statement in the Lok Sabha mentioned this, it is believed that Britain has been approached for help for 'Sea Hawk' fighters and 'Hunter' aircraft. Other possible British assistance may be in the development of a light tank and a Mach-II engine for the HF 24 plane. All these probably were on Chavan's shopping list and that presumably is where they remain.

While in his talks in London Chavan naturally played up the threat from China, it is not China alone which has been trying to modernise her navy in this part of the world. Pakistan has acquired a submarine and is trying to obtain more. Indonesia has been rapidly increasing her naval strength and now has 16 Russian submarines. The Indian Navy's vessels, experts agree, are outdated and need immediate replacement. There is need for a submarine arm, and a fleet tanker for refuelling at sea. But India's request to the U K for loan of three 'Daring' class destroyers from its operational reserve to meet the urgent need to replace out-of-date ships in the Indian Navy has met with a rebuff.

As usual, Pakistani diplomatic pressure against defence assistance to India was a factor in the talks in London. Besides, recent developments have made it clear that in the western strategic scheme the burden of the 'naval deterrent' to Communist China will be shared between the U S Seventh Fleet and the Singapore-based Royal Navy. It is, therefore, extremely unlikely that assistance from the U K for modernising the Indian Navy will be anywhere near the requirements of India's five-year defence plan.

Relative Rates of Growth
Agriculture and Industry

CORRECTIONS

IN the above article by Ashok Rudra published in the issue of November 7, the following printing errors have to be corrected:

Page 1775, equation 6, read $s_{2t} + o_{2t}$ for $s_{2t}o_{2t}$

col 3, read:

$$\left.\begin{array}{l} t = 1970\text{-}71 \\ o = 0.35 \\ b_1 = 0.050 \\ b_2 = 0.050 \\ b_3 = 0.300 \end{array}\right\} \text{ for } \left\{\begin{array}{l} t = 1970- \\ o = 0.35 \\ b = 0.050 \\ b^1 = 0.030 \\ b^2_3 = 0.300 \end{array}\right.$$

the following para, read .040 for .C40

Page 1779, col 1, line 4, read "competitive imports" for "non-competitive imports"

column 3, equations 22, 23 and 24, read X_1, X_2 and X_3 wherever x_1, x_2 and x_3 occur

Page 1781, Table 1, col headed "gross output", read 10086.5 for 100865

Table 3, figures are percentages; read col 1 as 2.0
3.0
4.0
5.0
6.9

Page 1785, col 1, line 34, read $\ominus$ for $\oplus$

col 3, line 2, read Vol XXIV for Vol IXIV

same col, read equation as

$$q_i p_i = \bar{q}_i p_i + b_i \left[\sum_{i}^{n} p_i \left(q_i - \bar{q}_i \right) \right]$$

third line after equations and fifth line from bottom, read $\bar{q}_1$ for q_t

Page 1787, col 1, first of the last three equations should read

$$h_t = H_1 + H_2 + 0.535H_3$$

The errors are regretted.

—*Ed.*

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Capital View

The Agricultural Revolution

Romesh Thapar

BACK from a rather intensive involvement in the tensions, apparent and not-so-apparent, in South-East Asia, Delhi exudes the feeling of being apolitical. The debate on the bomb, on the food crisis and on the future of Ceylon's Indian population is at such a primitive, emotional level that one begins to wonder whether the ruling elite really knows what it is talking about. Indeed, thought is at a discount --and there is too much talk, loose talk.

Intellectual and ideological bankruptcy breeds the cult of short-cut-*ism*. If India's image abroad is weak and tarnished, then change the impression with a nuclear explosion. If food shortages are going to stay with us, then spread the suffering through a system of rationing. If Mrs Bandaranaike does not honour her pledges, then terminate our agreements with her. If Jayaprakash Narain and Michael Scott do not toe the line, then punish them. And as for Bakshi and Abdullah in Kashmir, arrest them. All these are attempted short-cuts to problems and solutions -- advocated because there is a consensus that we must not disturb the privilege and profit upon which the *status quo* rests.

Creating a New Image

The power image which impatient, emotional politicians desire to create cannot be scoffed at. India has become too weak and flabby. Her voice is not heard. Her policies lack impact. The impression is general that many years will elapse before the land of Gandhi and Nehru recovers its dynamism. In other words, a power image has to be created. But impatient, emotional politicians cannot be the instruments of the transition. We need men who would boldly cut through to the real source of our weakness.

Over the past three weeks, Prime Minister Shastri has attempted to shed the role of the humble leader. He is beginning to speak with passionate conviction. Some say that this is the result of the pressures building around him for action. Unfortunately, this is so. Shastri is being pushed. He is not doing the pushing. And because he is being pushed, he cannot find his bearings —or the strength required to deal with colleagues in the States who imagine that they are independent *Satraps*.

It is not enough to say that we will not make the bomb. (Anyone with a modicum of intelligence knows that India's Atomic Energy Commission, in order to keep abreast of scientific developments, must at least undertake the work needed to perfect the techniques of triggering controlled explosions of nuclear materials!) Shastri has to spell out the steps which he intends to take to give India the economic muscle without which any power image will remain a thing of shreds and patches. This is not being done. Hence, the draft.

Why is Agriculture Stagnant?

All independent investigations into our present problems reveal that there can be no advance in this country if the long delayed and frustrated agricultural revolution is not carried through. Marginal food deficits which have now turned into permanent shortages cannot be ended by the puerile suggestion that more money be ploughed into agriculture. The return from such investment is decreasing sharply. To sacrifice industrial development in order to prop up the present system of land relations, which militates against increased production, would be disastrous for the economy. Only a drastic re-structuring of land relations, and the creation of facilities for intensive cultivation, can achieve the break-through upon which the future growth of the Indian economy depends.

The vast size of India, the variety of soil and tenure from region to region, the extraordinary ramifications of caste and community with regard to land and its possession, make it incumbent on the Centre to work through the States to carry out the agricultural revolution. Despite the inhibitions of a party which has over these many years relied on the support of the rich peasantry, it is clear that the Centre will have to give the country a lead in this matter. A challenging task for Shastri. Will he undertake it with the single-mindedness he brings to bear on the struggle for power within the party?

At the moment, there is no sign of such a development. The G O I plods along hoping that the food crisis will be resolved by State trading, rationing ('formal' and 'statutory'!) and limited procurement. Food Minister Subramaniam, recovering from the repercussions of the Kerala shortages, would create the impression that lack of funds from TTK's Finance Ministry destroys his stock-building operations; yet, when criticism of rationing mounts, he is at pains to emphasise that these measures are temporary! Enlightenment is not offered by the Opposition which also indulges in opportunistic sniping, hoping that the monolithic Congress is about to witness serious disintegration. In fact, nobody speaks of the agricultural revolution.

Interestingly enough, Congress victories in recent bye-elections are sought to be slurred over by the image-builders and bomb-makers whose whole thesis is based on the idea that the ruling party, and with it the democratic structure, is cracking and needs nuclear cementing. Over-optimistic pen-pushers in the press had in fact already forecast Congress defeats—even in Phulpur, Jawaharlal Nehru's constituency! Now they will be hard put to explain the voting behaviour of a people in crisis.

Lessons from Elections

Congress chieftains, reluctant to go beyond the policy involvements of a decade ago, are arguing that the recent election results prove that the crisis is marginal and represents only a distribution muddle in the towns. Nothing could be further from the truth. The people still place their trust in the Congress Party, hoping that it will ensure the planned progress it has promised them. If the present shortages turn chronic and a foolhardy attempt is made to disrupt industrial investment on the false plea that agriculture has been neglected, disillusionment will be quick. The two years between now and the next general elections could mould the future of India for many years to come.

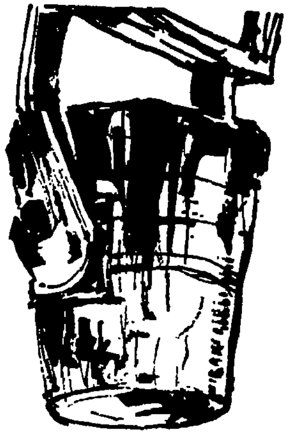
It is significant that wherever one goes in the Capital, there is discussion about how imperative it is to re-focus on the need for land reforms. The Ladjinsky Report, which deals with this crucial subject and which was virtually suppressed by the Planning

Commission (even denied to a Land Reforms Panel appointed by the Commission ... about this urgent need for a structural change in land relations. Parliament, too, seems unconcerned about the problem.

This sinister silence, not broken even by the various groups of socialists and communists, permits the growing militant, revivalist elements in our political life to campaign for short-cuts and imaginary solutions to problems. If sentiment of this kind is not effectively countered by an economic policy which strikes at the roots of our present stagnation, the initiative will pass to the Hindu Communalist. The blatantly defiant reception organised in Poona to the Godse gang underlines the new confidence of these elements.

Home Minister Nanda has a lot to explain. Why did it take so long to act against men who were propagandising the deeds of an assassin? Is the

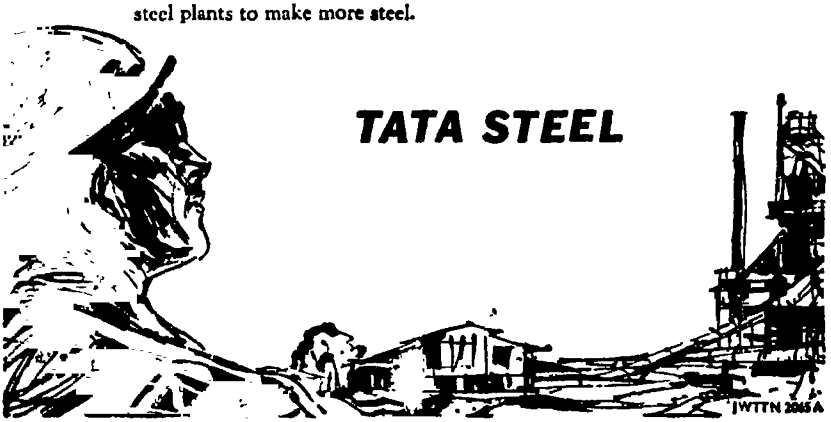
A great beginning...



In 1907, when India could not even produce a decent pin, the House of Tata announced its intention to build a modern steel works in India. There were not a few who doubted that the project would ever be a success.

Yet, shortly afterwards, India's first steel works was set up at Sakchi, as Jamshedpur was then called, and the first steel ingot was successfully rolled in February 1912. This event not only marked the birth of India's steel industry but also proved that India had the necessary potential in terms of iron ore and other raw materials to sustain an ever-expanding steel industry on modern lines.

The steel that has flowed out of Jamshedpur for over 50 years has helped India to take her first steps on the road to industrialization. And Tata Steel will continue to play an important role in our developing economy now poised to produce atomic power and manufacture steel plants to make more steel.



law powerless when confronted by the confessions of a Ketkar? Did the G O I's parleys in Delhi with Golkwalker infect the thinking of supposedly secular Congress leaders? Who prevents the punishment of those now merrily campaigning against 'Mr Pope', a vicious attempt to insult and slander the Catholics and their church? It is fast becoming apparent that secularism needs to be precisely defined for the benefit not only of the communalists but our Congress leaders who seem to have forgotten its implications.

In short, the task of re-building the image of India, of restoring confidence among the people, and reviving courage and determination to change the pattern of poverty in our country, has to be undertaken with great care and foresight. Decision-making on an *ad hoc* basis, as a result of the influence *of this or that pressure group, so characteristic of the* post-Nehru period, cannot be a substitute for a fully worked out policy and a through programme of implementation. India is too large and sprawling, too varied and contrary, too sensitive to the interests of caste, community and region, to permit its leadership to indulge in easy panaceas, in short-cuts. The failures and achievements of the Nehru era emphasise this fundamental fact. It *remains* valid despite the crucial developments of recent months.

From the London End

Other Weapons to Defend the £

DIFFICULTIES on the economic front continue to dog the Labour Government. It inherited from the Conservatives an economic situation with two highly unsatisfactory features —an adverse balance of payments even larger than that of 1960, and static exports and production. Indeed, the index of industrial production has stayed put since the beginning of 1964. The measures taken so far by the Government have *not sufficiently* re-assured overseas countries and last week there was a minor run on the £ with a large volume of sterling selling.

Speculative Pressure Stepped Up

It is certainly paradoxical that speculative pressure on the £ should have developed immediately after the Government had taken steps, through the import surcharge, to deal with the balance of payments deficit. It is most unfortunate that the budget measures, upon which the Government had relied, did not do the trick. The surcharge only served to antagonize Britain's EFTA partners, and the other budget measures were looked upon as purely domestic and inappropriately timed.

As a result of negotiations in Geneva, *Britain has at last* been able to persuade her EFTA partners to accept, however reluctantly, the 15 per cent surcharge on imports (as a means of dealing with Britain's balance of payments deficit) on the understanding that, *as stated when these charges were* introduced, they are of a purely temporary character. Although no definite commitment has been given by Britain on the actual date of removal, it is now expected to be a matter of months rather than *years, and the acceptance of* an EFTA watchdog committee to review these surcharges, has helped to reassure EFTA members whose confidence in Britain's attitude to the organisation has now, to a certain extent, been restored.

The import surcharges are an immediate but temporary solution to the problem that faces Britain over her balance of payments. Another problem which must be tackled is that of overseas military expenditure which is now *running at the rate of approximately* £320 million a year. Last week-end the Prime Minister and his advisers met at Chequers to re-examine the whole of Britain's defence policy. While much of the discussions were centred round the new look that the Labour Government wishes to give to the role of the Atlantic Alliance, the question of military spending abroad must also have come up for consideration. It is interesting to note that the U K spends a larger percentage of her Gross National Product on defence than any other member of NATO except the United States. It stands to reason that any reappraisal of Britain's defence policy will have to *be made with the objective of reducing* the percentage spent in overseas defence costs. It is not intended here to go into the first principles of the Labour Government's policy with regard to the subtleties of an Atlantic Nuclear Force, as compared with the original MLF proposed by the Americans. In any case, full details on the new British defence scheme will not be available till after discussions with the American President and other NATO countries.

The *fact remains*, however, that behind all the talk of the new defence strategy of Britain—the shape of the Atlantic Alliance, the future of Europe and NATO—lie the economic resources Britain has at her command. What must have become obvious during the Chequers discussions is the need, in the long term interests of Britain's balance of payments, to cut down the drain of military spending overseas, and to ensure that the process of cutting down overseas garrisons continues, (for example, it needs to be considered whether the need for the bases in Hong Kong, Libya and Aden has not been exaggerated) and to ensure that new commitments are not entered into.

No Cut in Aid

Another item which impinges on Britain's balance of payments is overseas aid and investment. What action is the U K Government likely to take to cut down such expenditure in the future? It is well known that the Labour Government is anxious *to take active steps* to increase aid and technical assistance to developing countries, but how far these must be trimmed right now in view of the balance of payments situation, remains to be seen. In this context, the 16th meeting of the Colombo Plan Conference which concluded in London last week, took on a special interest, as it was addressed both by the Prime Minister and the Chairman of the proceedings, *Mrs Barbara Castle*, the new Cabinet *Minister in* charge of Overseas Development and Aid. In the speeches of both Harold Wilson and Mrs Castle, the Government's intentions with regard to the whole question of aid were made clear. In his opening speech, Harold Wilson said:

> "Despite our serious domestic problems, the British Government is determined to do its utmost to assist in raising the standard of living of the less fortunate countries, and thus help mitigate the gross inequality which still disfigures the world... The British Government has the firm intention of re-examining its commitments in order to free resources and men for the solution of the most urgent internal and international economic problems".

Whatever Britain's intentions may be, it is becoming increasingly obvious that unless there is some radical change in the whole attitude of the world towards the problem of international liquidity,

the shortage of international resources will, in the end, act as a brake on the ability of the developed countries to provide more in the form of much-needed aid to the developing world. America has already revised its aid budget because of the impact it makes upon its balance of payments, and Britain may have no choice, if the present pressures continue. In these circumstances, Harold Wilson's statement at the Colombo Plan Conference is particularly interesting. He said:

> "It is essential that the international monetary system should help, rather than hinder, the rich countries in their efforts. The institutions created at Bretton Woods have proved their worth, and indeed, their effectiveness has further increased by recent reforms and international agreements. Nevertheless, we, in this country, *are convinced that further reforms* are urgently needed. I outlined the main features of such essential reforms *last year, and I very much* hope that a new initiative will soon be taken. This would be of the utmost importance for all countries, and especially for the members of the *Colombo Plan*".

International New Deal

As an earnest of its intentions in the whole matter of development and aid, the new Labour Government has set up a Ministry of Overseas Development, headed by a Cabinet Minister and charged with the duty of planning and administering the British Government's overseas development programme. Both capital aid and technical assistance will be concentrated in the hands of this Ministry which will also be responsible for Britain's links with the principal specialized agencies of the United Nations dealing with world development.

At the moment, the new Ministry is giving special attention to the administration of aid and technical assistance, both in the U K and abroad, and are engaged in examining what staff, both administrative and specialist, is needed for the purpose. An economic planning staff is being built up in the Ministry, under the new Director General of Economic Planning Dudley Seers - who has been working for the last 10 years or more, mainly overseas largely under the auspices of the United Nations, on practical problems of aid and development.

There is no doubt about the convictions of the new Minister for Overseas Development, who is anxious to go ahead with the task as soon and as ef*fectively as possible. At the Colombo Plan Conference, she said:*

> *"In our view, the problem of world poverty is a challenge to the whole* of mankind which we must meet collectively. A new approach is needed, what one might call an "international new deal".

In view of all these statements, it seems unlikely that the present Government will put the brake on its overseas aid programme, although this also will come under review in the overall survey of Britain's balance of payments deficit.

Control of Capital Movements?

Many people were surprised that the Labour Government did not take more direct steps to restrict exports of capital. It has been estimated that capital movements have accounted for nearly half of the £800m deficit in the balance of payments. The free movement of capital to the Sterling Area (which is one of the factors which keeps the Sterling Area in existence) leaves the door open to speculative movement of funds to such countries as Kuwait, Hong Kong and Australia. The Government has so far moved very carefully with regard to curbs on capital, althouch they may perhaps be thinking in terms of some restrictions on direct investment overseas, especially in the non-Sterling Area countries. It does not appear likely, however, that controls on the movement of capital will come in except as a last resort. In view of the Government's attitude to aid, particularly in the Commonwealth, it seems likely that if any such restrictions eventually become necessary, the Government would, at the same time, form a Commonwealth Bank on the Latin American model which would help to channel outside funds into financing projects in the poorer Commonwealth countries.

Methods to defend the £ were obviously also discussed at the Chequers week-end. The present economic outlook is not exactly encouraging, and the recent statements by Gunnar Myrdal that the U K would have been wise to devalue have given rise to a certain amount of uncertainty abroad with regard to the future of the £. But even Professor Myrdal did point out that while it would have been a good idea to have carried out devaluation at least a year ago, in the prevailing international climate, devaluation was probably out of the question. In these circumstances, it is essential that the Labour Government should make clear, as soon as possible, that it has no in*tention to devalue. Devaluation* is certainly *not the medicine that the British economy requires. Internally it would not help to improve the economic position.* Indeed, it would only provide permanent protection from foreign competition, and one of the reasons for the imposition of a temporary surcharge was precisely to avoid the ill-effects of devaluation. The import surcharge, though unpopular, was certainly an indication that Britain did not intend to use devaluation to solve her balance of payments problem.

On the external front, devaluation could cause serious harm to all foreign holders of sterling, upset the working of the Sterling Area and of the international monetary system as a whole. Indeed, the American backing for the import surcharge was a measure of the relief felt by America that the Labour Government was not intending to devalue.

Bank Rate Rise

Britain is able also to call upon the International Monetary Fund for up to $1,000m in foreign currencies, and this would certainly help to tide over the immediate difficulties. Despite the rumours, most European bankers are convinced that Britain does not intend to devalue, and even the orthodox Swiss bankers are not really alarmed, and it looks as if the present run on the £ is of a temporary nature.

As rumours continued to mount, the Government decided on Monday to take positive action to protect the sterling and announced a rise in the Bank Rate to 7 per cent. This measure had been expected by many earlier, on the customary Thursday, but the Government decided to break with tradition, and announced the rise on a Monday. In his speech at Guildhall, Harold Wilson made it quite clear that the Government was perfectly ready to take any further steps necessary to keep sterling strong, and the Prime Minister has also said that he would be prepared to use the Bank Rate to stem an outflow of short-term capital. Wilson has, on several occasions, made it clear that he has no doctrinal objection to the use of monetary discipline should it be called for, even if higher interest rates have never been favoured by the Labour platform. As far as the domestic position is concerned, it is perfectly true that this time there is no need for higher interest rates to put a brake on the economy. What was needed was a gesture to arrest the outflow of funds and re-establish confidence abroad which the change in the Bank Rate will certainly do.

Letter from South

Reaping the Whirlwind in Kerala

THE handling of the food situation in Kerala has been breath-takingly scandalous and the people have had to suffer literal starvation because of official bungling. One wonders if there has been a sorrier episode in the whole of our post-Independence history. The comparative restraint shown by the people should not be misunderstood by the Government, either at Delhi or Trivandrum. It conceals scathing anger and a certain perplexity as to what to do. Unless there is rapid radical improvement the anger will overcome the perplexity. Already, satyagraha, picketing in front of collectorates and taluk offices as well as a one-day general strike have expressed popular distress. Still sharper forms of struggle may emerge soon enough.

Kerala produces only one-third of its annual requirement of food and makes up its chronic deficit by imports from surplus States. To mitigate the problem of expensive food for the lower income groups, the Government has opened 5,000 fair price shops all over the State. Even when only two measures of rice per week are supplied from these shops to families earning below Rs 150 per month, the exchequer has to carry a burden of rupees two crores in the form of subsidy. It is quite obvious that the rice supplied from these shops is inadequate to meet the reasonable needs of something like 80 per cent of Kerala's families, who have to go elsewhere also for a substantial portion of their purchases.

Rationing with No Stocks

The Government of India had recently decided to build up a large buffer stock and ordered the rice millers in Andhra and Madras to hand over one-third of the total rice milled by every unit to Government agents at prescribed prices. The millowners then seem to have decided to make good this cut into their inordinate profit margins by hiking up the prices of rice exported to Kerala, where the prices jumped up.

It is true that the State Government fixed the maximum prices of different varieties of prices but the grain merchants complained that stocks were just not available at the Government rates and so they were forced to sell rice at rates much higher than those fixed by the Government. Despite such open flouting of its decisions the Government moved neither to try to lower the wholesale prices nor to do something for the hard-pressed consumers.

Matters got much worse when the Government took over the inter-State sale of rice from November 1. At most conspiratorially the flow of rice into the State stopped or became a tiny trickle. Neither rice nor wheat was available in anything like the required quantity to meet the demands of the ration shops. It is incredible but true that the State Government launched upon the scheme of rationing without even a week's stocks in hand. The State Governor has himself stated that his regime decided to go ahead on this precarious basis because of categorical assurances from the Centre that adequate stocks would be made available on time. That these assurances proved to be hollow was only to be expected in view of the fact that the Central and the surplus States' governments place a pathetic reliance on the good-heartedness of the big producer and miller. In any event this betrayal of Kerala reached such a climax that Governor Giri offered to resign and only in face of this threat and widespread popular protest did the Centre shake off some of its complacency. In the meantime a conservative estimate is that the prices of edibles went up by as much as 400 per cent. Many families throughout the State literally went on semi-starvation diet.

Time for Change

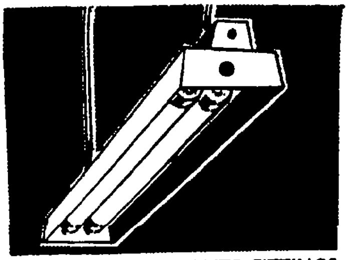
The Governor's regime cannot, however, absolve itself of all blame since the distribution arrangements were almost as bad as the stock position was precarious. Enumeration was most haphazardly done while ration cards were, often enough, not distributed at all. Enough shops were not set up and many had to deal with over 2,000 cards while their maximum capacity was only 750. Bogus cooperative societies were set up, sometimes by unscrupulous politicians, and these were then "sold" at remunerative prices to merchants, who in turn passed on the burden to the consumer. It was only at a very late stage that an all-parties food committee was set up to help in restoring some kind of order.

If there is any State in India, which cries out for an alternative government, it is Kerala. The Congress is not only thoroughly discredited but badly disrupted. The incompetence and woodenheadedness of the Governor's regime has shown that a so-called "non-political" administration will not facilitate the solution of the grave problems confronting the people. It is a new political set up, a new socio-political leadership that is required. But the force that had in the past provided the hope of such an alternative is now itself badly divided.

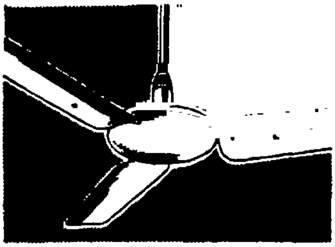
Prospects of a Left Front

The possibilities of a joint Left front, including both sections of the Communists, still remain. Independents and the RSP are also in this front, which has not had much difficulty in working out a minimum programme. What has not yet been resolved is the system of alliances that this Left front will enter into. There is general agreement that neither the Muslim League nor the dissident Congressmen should be brought into the alliance as such, since they represent interests and policies that are at least as reactionary as those of the official Congress. But the Left Communists are of the view that the Left Front should not exclude such parties as enter into some kind of alliance with the League or even the dissident Congressmen, who are the spokesmen of the Catholic Church and the Nair Service Society. Electoral adjustments or alliances contracted between these two forces and any constituent of the Left Front should be even encouraged, though the Front as such should not touch them with a barge pole. The logic is strained and likely to gravely complicate the question of the distribution of seats between the constituents of the Front. It would seem to be both principled and possibilist politics for the Left Front to go it alone, for it to emerge as a coherent and clear-cut alternative to the Congress and to approach the people as such for a mandate to govern.

The hopeful feature in the situation is the overwhelming desire of the politically awakened masses of Kerala for the unity of the progressive opposition to the Congress. They are not just blindly anti-Congress but want such a government as would implement a programme of development. A heterogeneous opposition to the Congress does not evoke the hope of a stable administration consequent to the defeat of the Congress. The mood is for stability to realise a radical programme. This mood no progressive party in Kerala can afford to ignore if it wishes to end the present mess.

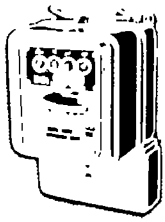


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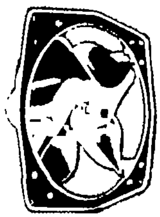


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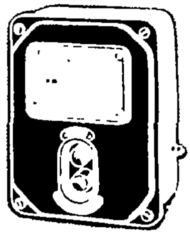
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Notes from Geneva

Trade Winds

LAST WEEK, Jean Rey, foreign relations chief of the executive committee of the Six said that 81 per cent of ECM's total dutiable imports were being offered for tariff cuts at the Kennedy Round talks in Brussels, and only 19 per cent were being withheld as exceptions. The Common Market and other major industrialised nations of the non-Communist world submitted their exceptions list to Eric Wyndham-White, executive secretary of Gatt on November 16. Though all the 60 nations who are contracting parties to GATT are involved in the negotiations, principal participants are the US, the Common Market and EFTA.

Haggling over 'Exceptions'

The Common Market's exceptions list consists of three parts.

Complete exceptions are demanded for 10 per cent of the Community's total imports.

Partial exceptions are asked for on a part of the remaining 90 per cent of reduceable tariffs.

In addition there are to be *conditional exceptions*. If, for instance, the US is not willing to remove the "American selling price" regulation which acts as a non-tariff barrier to trade, chemical imports will be treated as an exception.* Other conditional items are textiles, if the world cotton agreement is not renewed.†

The items included in the list of complete or partial exceptions are trucks, commercial vehicles, nuclear reactors, heavy aircraft, aluminium steel tubes, some mechanical and electrical machinery and some paper products.

These exceptions apart, all imports are on the "open list" and will be subject to across-the-board tariff cuts on reciprocal percentage basis to be decided upon during the Kennedy Round. The "open list" covers more than 12 billion dollars' worth of the Community's imports.

* There are three long lists of chemicals. The Europeans want the Americans to cease non-tariff protection by charging duties based on what the Europeans regard as fancy valuations instead of invoice prices.

† The Six are demanding renewal of the existing agreement on cotton textiles which limits imports from low-wage countries.

The US exceptions list covers 7 per cent of US imports, but it has a separate list of goods which includes petroleum which cannot be touched for strategic reasons. American sources have predicted trouble over steel tariffs. The Europeans are negotiating from a 14 per cent tariff level while actually applying the existing 7 to 9 per cent tariff. This means that even if steel tariffs are nominally cut by 50 per cent, European steel protection will remain roughly at its present level. The Americans argue that this makes steel an exception.

The British list of exceptions covers 5 per cent of her imports. France has made large concessions by allowing tariff cuts on machine tools, aluminium and electrical goods, though she fears severe competition from American enterprises which can afford huge sums on research while she is still battling inflation. West Germany is in a better position to compete on the world market. She has a balance of trade that shows adequate surpluses for new investments The Swiss have no exceptions list though they adhere to reciprocity. The Six however, are far from satisfied since Switzerland forbids export of certain types of watch-making machinery, the lack of which is a handicap to competing countries. Discussions about the watch-making industry, which is vitally important to the Swiss economy, have been closed in Washington. For reasons of national defence, watches come under a loophole clause of the Trade Expansion Act. President Johnson has hinted, however, that by the end of the talks the watch-making industry might be included in the Kennedy Round.

No Agricultural Policy Still

Jean Rey has said that the first tariff reductions would come into force on January 1, 1966. During the first few days of 1965, the various exceptions lists will be compared and efforts made to shorten them. On agreement of a common list, negotiations will be terminated since customs duties on all the other main goods will be reduced by 50 per cent—reduced in principle, for there still will remain the problem of tariff disparities which has been shelved since last spring.

Europe and America have yet to draw up rules for negotiations on agriculture, on whether there should be maintenance amounts or only reduction of customs charges. There are no plans for discussion on the subject in Geneva before the beginning of next year. In the intervening time the Six have to agree on a common price for cereals.

Italy created a sensation in Brussels at the meeting of the Common Market Ministers of Agriculture by supporting West Germany in criticism of a single grains price policy. Ferrari Agradi, the Italian Minister, said that the European Community prices for feed grains, notably corn, would increase Italian animal fodder prices by 40 per cent which would be disastrous for the Italian husbandry industry. It would raise the prices of Italian beef and milk, already the highest in Europe. Italy felt she was paying too much into the fund guaranteeing Community farm prices for what Italy was getting out of it. But perhaps all this could be credited to Italy's local and regional elections on November 22. She will accept a harmonized grain price by 1970 but will not anticipate it unless the Italian feed grain problem was solved.

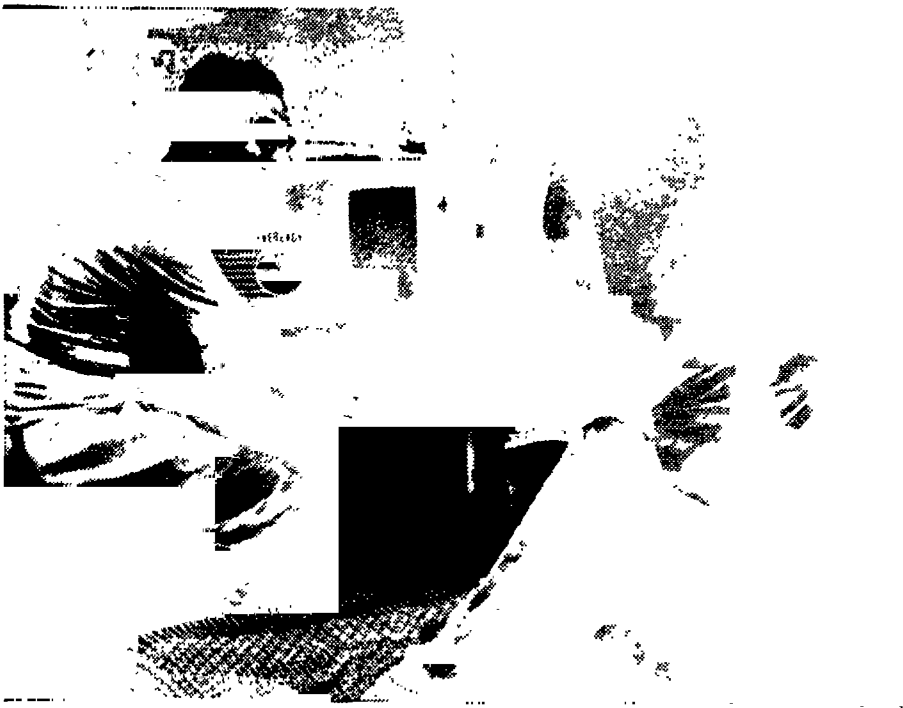
Giscard d'Estaing has stated in Paris that France was one of the countries to be most affected by the economic measures of the Labour Government. The 15 per cent surcharge tax hits 70 per cent of French exports to Britain. The loss to the French economy has been put at 400 million francs a year However since the British measure will be reviewed before April next, France has not taken retaliatory measures.

Trade with Communists

Now that the US elections are over, West Germany wants to renew official contacts with Communist China in spring with a view to exchanging trade missions. The Chinese Communists, during preliminary talks, said that they were willing to sign a trade agreement with West Germany including a "Berlin clause" stating that West Berlin was considered economically and politically a part of West Germany. If an agreement containing such a clause is signed it would put the Chinese in company with Poland, Hungary, Rumania and Bulgaria.

The signing of such agreements has undermined the Soviet and East German theory that Germany is divided into 3 German states—East and West

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Germany and West Berlin. Some West German officials say that the exchange between Bonn and Peking will have little trade significance but would be politically important as a step to deepen the split between China and East Germany. The East Germans have repeatedly accused Peking of ignoring their interests in the German problem and of causing irreparable damage to their shaky economy by drastically cutting her trade with them. It is possible that the East German Government may now want to pull away from its hard line.

Fewer Dollars in Europe

There is a drive to reduce American gold flow into Europe by curbing spending of dollars abroad through spending strictures ordered on the basis of cost-efficiency estimates at Pentagon. But some officials say that further cuts might endanger combat effectiveness. The US maintains an equivalent of 6 divisions in Germany—5 divisions and 3 armoured regiments—, 250,000 men and 169,000 dependents. An American soldier gets 7,100 dollars a year and a civilian guard gets 2,500 dollars as salary and related allowances and insurance. Certain types of police protection work have been assigned to civilians as this has been found to be cheaper. The U S Army in Europe employs 7,842 persons in quasi-military labour service, mainly in West Germany—most of them Poles, Ukrainians and other East Europeans who chose to stay on in West Germany after the war. It used to employ 66,012 German civilian employees for office work, communications, maintenance and labour. But the West German economic boom has made it difficult to hire so many people in competition with German industry. The German price rise is costing the US an additional 31.5 million dollars a year "to stand still".

The Senate Foreign Relations Committee made a survey recently among businessmen, bankers and academic experts. Eight out of ten US businessmen believe US trade with Communist countries should be expanded. Two hundred and fourteen companies were polled, of whom 105 replied. Four companies thought trade restrictions on Communist China should be relaxed. Two businessmen supported expanded trade with Cuba. Twenty out of 31 bankers replied, half saying that the US Export-Import Bank should participate in financing longer-term credits to Communist nations. A majority of academic experts were also in favour of expanding trade with the Communists. Among those contacted were George F Kennan and John Galbraith.

The survey was part of a committee inquiry into East-West trade. The companies contacted were commercial and wholesale firms and dealers in petroleum, food, tobacco, paper, printing, chemicals, fabricated metals, machinery, electrical equipment and transportation equipment.

* * *

U N Dues

Delegates of four small countries, Venezuela, Nigeria, Norway and Afghanistan have suggested that the U N raise a rescue fund by voluntary subscriptions to end the *impasse* over the Soviet Union's refusal to pay its share of assessments for peace-keeping missions in Congo and the Middle East. Three other committees are also battling with the problem—the first of five Afro-Asian countries, the second of five Latin-American countries and the third of four Afro Asians and Latin Americans. In addition, of course, U Thant and Lord Caradon are playing a more direct role.

Moscow bases its position on the fact that the assessments were levied by the General Assembly rather than the Security Council and that only the Council, in which the major powers have a veto, can legally impose special assessments. But Jacob Malik, Soviet Vice-Minister for Foreign Affairs, declared in Algiers a few days ago that the Soviet Union refused to finance operations in the Middle East, in the Congo and in Cyprus, because they were undertaken under pressure of the imperialist countries, and particularly Washington, to try and stifle the struggles for independence of these peoples and to keep imperialist stooges in power. (Incidentally, the Soviet Vice-Minister's visit to Algeria could be to angle for an invitation to the Afro-Asian conference due to be held in Algiers in March. Many African countries are opposing Soviet participation.)

Soviet diplomats, meanwhile, have begun to exert pressure on small countries to back Moscow in the dispute over U N dues. It has been made clear privately that failure to vote with the Soviet Union against any effort to suspend defaulters would be considered hostile. Even abstention would not be considered friendly enough.

U S Tightens the Screw

With the Soviet Union holding back, the U S has announced that it will withhold its annual subscription of about 60 million dollars to the U N Special Fund which gives technical aid to developing areas. Thus to make sure that the issue does not go by default, Washington has emphasised its point in the budgets of under-developed countries who want to avoid siding with the one power against the other.

If denial of vote in the General Assembly—the penalty under Article 19 of the U N Charter—is enforced, eight other countries besides Russia will be affected, six from East Europe who follow the Russian line and Bolivia and Yemen who are defaulters too. France is also due to lose her General Assembly vote early next year for accumulating a massive peace-keeping debt. The U S maintains that the form of Soviet payment is of little concern, if she puts into the U N coffers 5.8 million dollars, which is the minimum necessary to keep the Soviet Union beyond the penalty prescribed by Article 19.

Postscript: France has raised its contribution to two U N Funds by 45 per cent—$1,851,000 for the EPTA and $1,620,000 for the Special Fund. She has thus pledged to peace-building *rather than* peace-keeping activities. Adlai Stevenson had said that the U S would not press countries in arrears on peace-keeping expenses to fulfil their obligations or face the prospect of losing their General Assembly vote provided their voluntary contributions to other U N funds equalled their arrears. If the U N agrees to this, France may be assured of her General Assembly vote for the time being.

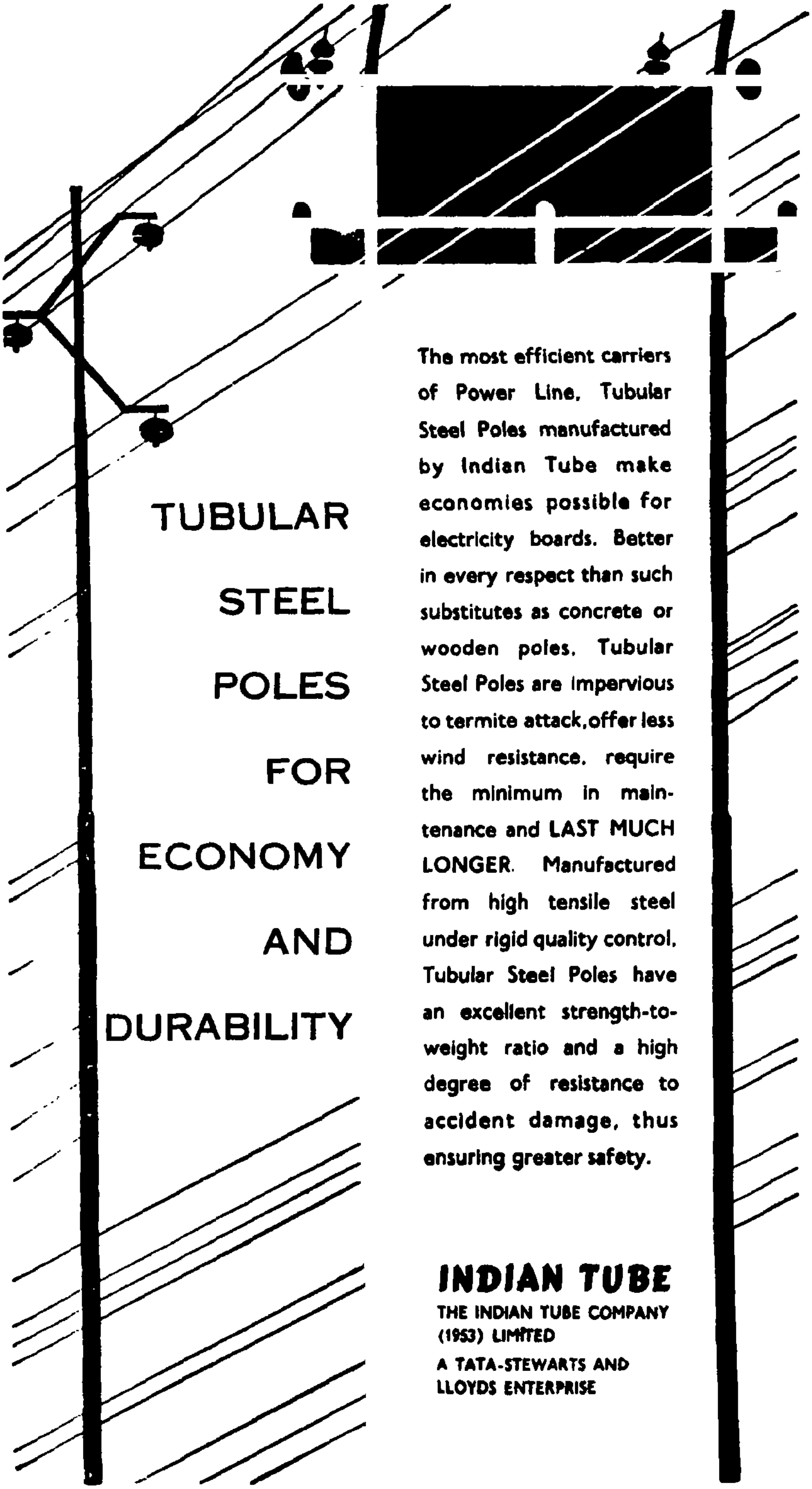
— Sunita Banerjee

November 17.

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Book Review

More Darkness

An Area of Darkness by V S Naipaul; Andre Deutsch; pages 281, 25s.

V S NAIPAUL'S grandfather left his home in Uttar Pradesh for Trinidad as an indentured labourer. The grandson was born and brought up in Trinidad, as part of a Hindu family, went to school, learnt his letters well enough to become, in time, a man of letters and winner of the Hawthornden Prize, the Somerest Maugham Award, the Llewellyn Rhys Memorial Prize and the Phoneix Trust Award. Some time in 1963 he returned to the land of his ancestors to see how it looked like at close quarters and how the natives were faring. He found the natives defecating everywhere, constitutionally incapable of doing a hard day's work, perenially engaged in litigation and, when not bowing low to their superiors, engaged in kicking the underdog. Like Dom Moraes, another native son who was so unhappy with India that he took British citizenship and nationality, friend Naipaul was so shocked by the things he saw that he rolled up his sleeves and concentrated on the typewriter. The result is "An Area of Darkness", aptly sub-titled "An Experience of India".

Where is the Darkness?

It is hard to find out whether the afore-mentioned area of darkness is in India or in Naipaul's mind. The subtitle is more revealing. It says "An Experience", mercifully reminding the reader that many other experiences are available and that he should not run away with the feeling that the author had experienced the experience of all experiences. For which re-assurance, we will have to be grateful.

"An Area of Darkness" can be compared to two other books of the same genre: Katherine Mayo's "Mother India" and Beverley Nichol's "Verdict on India". Miss Mayo was an American publicist whose book became a best seller. It was described by Mahatma Gandhi as a "Gutter Inspector's Report" and it was, of course, just that. But while Indians revelled in this description, they conveniently forgot that their land was full of gutters that stank to the high heavens and needed cleansing. Whatever might have been Miss Mayo's original intentions in writing her book, she revealed to Indians what many of them were not willing to see. The experience was painful but had a salutary effect. While many sensitive Indians writhed under Miss Mayo's powerful microscope, some had the boldness to sit up and go to work on the filth around them. Even if Miss Mayo did not mean to, she did India a lot of good.

Miss Mayo wrote her book in the twenties when India was waging her struggle for independence; two decades later, when the independence struggle was at its height, the British found another publicist, in the person of Beverley Nichols, to attack India. Nichols was a self-proclaimed propagandist and he had been commissioned to write a book that could be distributed in the western world in order to prove that Indians were not ready for freedom. Nichols, of course, had even less knowledge about India and Indian culture than Miss Mayo: among his many great discoveries was that Indians had no word for "Thank You". It shocked his cultured heart. It incidentally revealed how little he knew of the Indian mind, but then, how could the westerner judge?

Katherine Mayo had her detractors. Naturally. Kanhaiyalal Gauba wrote his monumental "Uncle Sham", another gutter inspector's report that was intended to repay the lady in the same coin. Beverley Nichols too was answered capably by "Judge or Judas?". Both "Uncle Sham" and "Judge or Judas?" were written more in anger than in sorrow. Neither "Mother India" nor "Verdict on India" were in any sense true sociological studies; they were not written by dispassionate persons with an eye for reform. Nor were they written against a background of scholasticism. Miss Mayo was an American and Beverley Nichols was a British hack-writer.

Profitable Shock

"An Area of Darkness", however, is written by a gentleman of Indian ancestry, and published more than fifteen years after Indian freedom had been attained. It therefore merits a close study.

There are three ways of looking at a book of this kind. One is to say: "Ah, well, another of those books again!" and refuse to read it. One distinguished Indian told this reviewer that she was damned if she spent money on such tripe. Another is to say: "But are western countries any better?" and then recount all the terrible things that the westerners do or don't, making jibes, in the bargain, at toilet paper, the burra sahib's pidgin Hindi and kissing in the parks. And, of course, a host of other things that are disgusting in themselves. But the third way is to look objectively at Naipaul's findings and make mental notes on how to face constructive criticism.

It is necessary, at this point, to remember that Naipaul is not a professional sociologist or a dedicated reformer. He is simply what he is: a writer, with an Indian background, probably in search of something of which he himself is not aware. He comes to India and is shocked by the bureaucracy, the paper work, the poverty, the corruption, the substitution of symbols for straight action, the crudeness and unsophistication of many things around him, the incongruity of all life. The shock is all the more painful because Naipaul is an Indian and his reaction is, therefore, on predictable lines. His first act is to repudiate that part of him which is Indian and the repudiation is violent, vulgar and sustained. And, one might add, entirely understandable and forgiveable. How many Indians have not felt like Mr Naipaul, from Mahatma Gandhi and Nehru at one end of the scale to lesser Indians who have never known what the western world is like?

No Stake in India

Mahatma Gandhi did not write a book, neither did he profit financially by his shock; he saw the Indian problem for what it was and set about correcting it the best way he could. He stayed in India and shared its miseries. He too saw Indians defecating everywhere, even as Naipaul did, but the Mahatma's reaction was first to tell the defecator why he was anti-social and then to see what improvements could be made not only in the society in which the defecator functioned, but in the mind of the man himself.

The Mahatma's life was one long essay in gutter-inspection, which gave him a right to be critical of his countrymen. The Mahatma did not laugh at



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the natives while Naipaul's harsh, shrill laughter, mixed, no doubt, with pain, sounds on every page of his book. Week after week, the Mahatma wrote about sewers, sewage, waste disposal, defecation, cleanliness and what have you so that the *Harijan* took on the look of a text book on civics. And what the Mahatma preached, he practised.

Nehru, too, spoke out vehemently about the evils he saw everywhere around him. A teacher in his own way, he sought to fight them; but the battle was in the minds of men and four hundred million minds make a large and unmanageable battleground. So Nehru sought to meet the problem by trying to drag India from the eighteenth to the twentieth century through a quickened process of industrialisation.

Naipaul is neither a Gandhi nor a Nehru and apparently he has no stake in India except as a contributor to the *Illustrated Weekly of India*. It is comforting to write about the funny signboards in India, the pidgin English, the jingoism of the Sikh, the Andys and the Buntys, proprietor M S Butt, fat Mrs Mahindra and a lot of other characters and Naipaul writes well, he has such a genuine flair for drawing characters and even a great sense of humour such as the benighted Indian does not possess.

Facile Generalisations

But fools rush in where angels, it is said, fear to tread. Naipaul in his superiority must generalise about Indian literature from the work of R K Narayan. *"He seems forever headed for that aimlessness of Indian fiction"* says Naipaul. Mark the words: Naipaul does not say that Narayan's fiction is aimless. He must generalise and call all Indian fiction aimless. I can see the look of surprise on the faces of many Indian writers in Hindi and Marathi or Kannada when they hear their work condemned as "aimless". And what, it may be asked, is Naipaul's aim in writing "An Area of Darkness" except that of exercising India from his past?

Most educated Indians would readily agree with the general thesis that there is a great deal in India that needs to be debunked. Aubrey Menon did his bit with his "Story of Rama", an irreverent book saved only by its artistic merit. Arthur Koestler continued the process with "The Lotus and the Robot", a savage piece of mockery at yoga as some of the Indian charlatans practice it. Both the books, if I am not mistaken, are banned in India and "An Area of Darkness" will probably meet a similar fate and Naipaul will then say how right he was all along in maintaining that Indians have no sense of humour. And what would he have gained by it—and what would have the Indians, whose improvement, presumably, he has in mind?

What comes out of "An Area of Darkness" is not a sense of purpose, a passion for change, or a zest for reconstruction, but one continuous snigger. Nehru used to lose his temper when anyone tried to touch his feet or said he wanted "darshan". There was something cleansing in his wrath. Nehru made his point. Naipaul has tried to do so too, but somewhere along the line his failure to understand India reduces his effort to a farce. To criticise India, one must be an Indian. Naipaul does not know it, but in himself, he is another Andy or Bunty, his special target of ridicule.

Embodiment of the Condemned

The trouble, of course, is that India lends itself so easily to generalisations and Naipaul is not the first one to fall victim to the temptation to pontificate. Take this gem from Naipaul: "The only writer who, while working from within the society, is yet able to impose on it a vision which is an acceptable type of comment, is R Prawer Jhabvala". "And", adds Naipaul with all the excitement of a man who has discovered a great truth, "she is European". He forgot to put an exclamatory mark at the end of the sentence. Indians who take their fiction straight from Indian novelists writing in Indian languages and working "from within the society" would no doubt like to restore the exclamatory mark in its right place.

In many ways Naipaul reveals himself as the very embodiment of the Indian character that he so delights to condemn. Writing a book becomes a substitute for direct action. Naipaul cannot change Indian society and he does not even try. If he tried, as many European missionaries have done, he could at least have shown his separateness from Indian culture. Gandhi tried to change Indian society and in many ways and to a lesser degree, perhaps, thousands of Indians participated in his effort. There was conscious *effort* on their part, not just words. Perhaps neither Gandhi nor many of his followers fully succeeded in what they set out to achieve. But that does not detract a bit from the essence of their life which was based not on symbols, but on action. Naipaul's failure to understand a whole era in Indian history is the tragedy of his book. It is a dark tragedy.

Naipaul's book, however, should not be dismissed as just another gutter inspector's report. It should awaken Indians to the gutters in their minds and rouse them to action. What Naipaul has to say about the paper work, the red tape and the bureaucracy is all true and it is entirely beside the point to rebut his condemnation by saying that similar bureaucracy exists in many countries. It is not so much the red tape that is so offensive, as the thinking and the attitude that makes it possible. Can't that ever be changed?

Distaste: the Keynote

In a sense, "An Area of Darkness" is a personal lament of an Indian for the glory that is no more. It is an essay in self-torture. Naipaul is hurting himself as much as he is hurting his Indian readers. He sees a poor sick man at the ruins of Vijayanagar standing in the rain, coughing. "I had converted fear and distaste into anger and contempt; it plagued me like a wound" says Naipaul of that scene. This is the keynote of his book. Whatever he sees in India he looks at with distaste. This in turn is transmuted into "anger and contempt". This anger and contempt plagues the pages until the reader who in his turn gets sick to his stomach asks: "Cannot this man write one positive thought? Can't he see *one* single ray of hope in the surrounding gloom?". Naipaul's answer is "No". His literary masochism is to be read to be believed.

Perhaps, some day, Naipaul will return to the land of his ancestors to discover it again not in anger and contempt, but in joy and pride. India cannot be discovered by arrogant men or the sahibs. You can do almost anything with the Past except quarrel with it. The contemporary Indian is heir to his past and he can do nothing to change it. All that he can do is to seek to change the future. This, many Indians are trying hard to do, imperfectly perhaps, but nevertheless sincerely. They would be delighted to enlist Naipaul in their ranks. Their task is by no means easy. Even while struggling to build a new India, they have to reckon with the burden of their Indian upbringing. Naipaul can help them, but not from London.

— **An Indian**

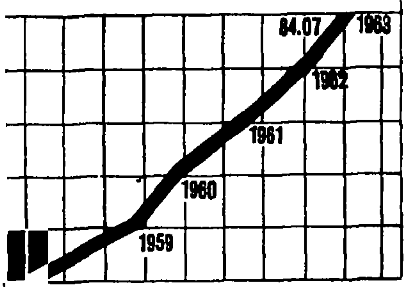
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The Bomb Debate and India's Foreign Policy

Robi Chakravorti

A nuclear bomb is nowhere as near our grasp as is sought to be made out by spokesmen of the Government of India. This fact is not exactly unknown abroad and will no doubt appreciably reduce enthusiasm for our seemingly moral stand against making the bomb.

Today, as ever, we are dependent on the military strength of other countries against China. In fact, this dependence has increased, both vertically and horizontally, with the addition of the Soviet Union to the countries from whom we have accepted defence assistance.

The ideological basis of India's non-alignment requires to be re-examined in this context. Such a re-examination need be neither apologetic nor half-hearted since it is a fact that the ideological basis of non-alignment has been fast slipping from under the feet of most Afro-Asian countries to be replaced by what, in the ultimate analysis, has always determined international relations—adjustment of national self-interest.

SOME time before the Chinese attack on India, a prominent member of Indian Parliament tells me, the possibility of a Chinese attack was raised in a Parliamentary Committee. Pandit Nehru shrugged and said that if the Chinese attacked, there would be a world war.

The purpose of mentioning this story is to show that we had tacitly been dependent on the military strength of other countries. This dependence has since increased both vertically and horizontally, as Soviet Russia is now included among countries offering military hardware in addition to our more dependable "allies" in distress, the US and the UK.

Chinks in Moral Posture

When policy-makers in New Delhi take a moral posture against the manufacture of atom bomb, this dependence certainly underlines their thinking. This moral posture has always been there. Only, since the explosion of the Chinese A-bomb, it is being repeated more often and now, it has been strengthened by a political-strategic move for mobilising world opinion against the manufacture of nuclear weapons since the appeal made in Cairo to send a mission to China to urge her not to hold the nuclear test fell flat. This posture is the handmaiden of the political move to contain China's nuclear prowess.

It tries to hide two basic deficiencies in our position in regard to China and it is worthwhile to discuss these so that our policy can be realistic, rather than become again the curious blend of moralising and wishing, neither of which can change the hard realities of international politics.

The first deficiency is that we cannot easily produce an atomic bomb, whatever Dr Bhabha may say. I deliberately use the word 'easily' in place of 'cannot' to differentiate between our theoretical ability to make an atom bomb and our practical capability to do so. There will be many a slip between the atomic cup and the lip, and these 'slips' are blissfully ignored in the discussion of our nuclear technology which has been set rolling since the detonation of the Chinese bomb at Lop Nor.

No Foreign Aid Here

The first slip is that Western powers, America and Canada in this case, are unlikely to aid us in the manufacture of the atom bomb. Their opposition stems from their fear of proliferation of bomb technology. Big Powers, like America, fear this, it can be presumed, not only because the chances of irresponsible use of atom bomb will be greater, but also because the secret of bomb technology is a diplomatic lever to keep weaker countries on the line. As long as the stockpiles of nuclear weapons are not destroyed, the countries with nuclear bombs in their possession retain an upper hand over non-nuclear countries which, in terms of international power politics, they will hate to lose. Criticism of any particular country is not intended here; only, what is logical is emphasized.

It is known that the terms of the Tarapur nuclear power project specifically forbid the use of material for other than peaceful purposes. Canada, likewise, will not be happy if the Canada-India reactor is used for making an atom bomb. Both the US and Canada will certainly put pressure on India to deflect her from the path of manufacturing a nuclear bomb, should we decide to take it.

The other bars to our manufacturing the nuclear bomb are still more formidable. It is true that many nuclear experts believe that India can make an atom bomb if she wishes too. A number of heart-warming testimonials can be produced in support of this belief. Let me quote only one.

Ralph E Lapp, former Executive Director of the US Defence Department's Atomic Research and Scientific Adviser to the War Department General Staff told an Indian correspondent shortly after the Lop Nor test that India could produce a plutonium bomb every week after the natural uranium 200-megawatt reactor (he meant the Ranapratapsagar set-up, it seems) goes into production

This is dreaming of a possibility which can never come to fruition without foreign blessing. And, none in India faces the question whether Canada or the US will allow us to utilise plants built with their cooperation for making nuclear weapons.

The Long Road

At this moment, our capability for making the nuclear bomb depends on the two Trombay reactors and the Plutonium Plant recently completed. A nuclear physicist, who ought to know, tells me that we are now in a position to have plutonium from the Trombay reactors and then "refine" it in the Plutonium Plant. Even then we will be quite a long way from an atom bomb. The physicist describes this distance as consisting of three steps: We have to "fabricate" the plutonium preparatory to making a bomb; then, we have to bring it to what atomic scientists call "the critical assembly point", and finally comes the task of proper "packaging" of the bomb and delivery.

The point here is not to emphasize the complex process of A-bomb manufacture on which I do not claim to be an expert, but merely to report that two reactors and a Plutonium Plant do not make an atom bomb. The question therefore is: Can we cross the rest of the road to the nuclear test held entirely on our own resources since it is obvious that Western countries will not

help us in the matter?

Even assuming that we have the scientific and technological talents within the country for the purpose, there is the additional difficulty of making the equipment for the manufacture of atom bomb ourselves. Where, for instance, can we get the metals and instruments needed to make the equipment? We are still living virtually in the three-metal (iron-steel, aluminium and copper) age and the special metals required for atomic bomb equipment have to be imported. Will Western countries give us the metals if they know the purpose of their use?

There is, of course, the possibility of making atom bomb in secret by smuggling in foreign technicians and material much the same way as the UAR is making rockets with the help of German scientists. It is doubtful if an open society like ours can successfully hide a venture like this, setting aside the fact that the Government as it is constituted now will certainly frown upon such secrecy.

Weakness of Foreign Policy

For all practical purposes, therefore, we cannot make a plutonium bomb with things being as they are—let alone make a much more advanced Uranium 235 bomb which China detonated either by the expensive gaseous diffusion method or by the cheaper, but more sophisticated centrifuge method which Germans discovered in 1960, but have kept secret since under American advice.

Since we are not in a position to make a nuclear bomb, there is little point in shouting that we should not, unless it is to salve our hurt pride. This is, however, a rather poor way of soothing the wound, and in any case, it is doubtful if our constant re-iteration of a moral posture against the bomb which we cannot possibly make without foreign help while China possesses one, will go down well in other countries, particularly the Afro-Asian countries. It is here that we face the more serious deficiency in our foreign policy position, a deficiency that was revealed for the first time after the Chinese attack and which it has not yet been possible to correct.

Our position in the Afro-Asian world is no longer what it was, say, four years ago. The reason for this reduction in our standing is that we seemed more eager to cash in on the predominant, but somewhat inchoate, feelings that reigned in newly-independent countries than to develop narrow, hard-headed *interests. What was the source of the grandeur of India's posture in the eyes of young nations of Asia and Africa* turned out to be its weakness, as the *fiery revolutionaries of yesterday started taking increasingly greater interests in their immediate neighbourhood.*

At this moment their attention fluctuates between their particular regional interests and the general interests crossing the boundaries of the region. But there is a clearly discernible movement in non-aligned countries away from general interests in global cold war happenings, from which non-alignment drew strength, to more specific—call them narrow, if you please—interests which affect the power position of the leaders and of the countries they represent in the segments of the world where they count. Colour and colonialism still stir up blood; but blood gets hotter when a problem nearer at home is mentioned, such as Israel to an Arab country or Malaysia to Indonesia, for instance. Non-alignment is now a veneer through which selfish national interests as the present leaders see and interpret them, are slowly, but steadily breaking through.

Not surprisingly, therefore, Afro-Asian countries may tend to see in Indian actions, however morally inspired they may be, reflections of her own national interests. India's image of power and prestige, blurred first by the Chinese gunsmoke and now by the fall out from Lop Nor, is being further distorted in the eyes of Afro-Asian viewers as their vision range is getting shorter and shorter.

From Idealism to Realism

This is the hard reality of the situation, a situation made more complicated for India by the fact of combined pressure from China and Pakistan; the latter, incidentally, has smartly somersaulted itself into a position of *practical* non-alignment while India's non-alignment was primarily *ideological*. The most surprising feature of this topsy-turvy world, which we should have foreseen if we had been a little less concerned with generalities than with specifics, is that Pakistan and even China have a greater room for manoeuvre than India; we would have been pinned down to the mat indeed if the Moscow-Peking rift had not coincided with the Chinese invasion of India.

The nuclear bomb test by China, viewed thus, is for us merely the culmination of a diplomatic process which was started by the Chinese invasion of India two years ago. China, more rea*listic than we are, must have foreseen the diplomatic jam in which India would be placed by the attack and now that China has exploded an atom bomb against which not a single important non-aligned nation has lifted a finger of reproof, the process has reached a new dramatic point.*

China will tighten her grip on the situation in the forthcoming Bandung-type conference and India can get out of the jam only through a nimble display of diplomacy which must have as its point of reference the fact that the ideological basis of non-alignment is slipping from under the feet of Afro-Asian countries and that in its place is coming what has historically always determined international relations in the ultimate analysis—an adjustment of selfish power interests. John Foster Dulles coined a word for it, enlightened self-interest. In the second Bandung conference, the display of self-interest may not be so enlightened.

It appears that New Delhi is slowly becoming aware of this 'wind of change' in Afro-Asian relations, and hence New Delhi's desire to make peace with India's neighbours, barring Pakistan which has formed an axis with China, and to strengthen friendly political relations with some key countries, such as the UAR, through economic ties. The assumptions behind India's foreign policy attitudes have to be revised drastically to bring India's foreign policy and programmes in tune with the realities of international politics.

Korba Aluminium Project

HUNGARY and India have signed an agreement for the preparation of a project report by Hungarian experts for the proposed integrated aluminium project at Korba in Madhya Pradesh. The project report will be prepared in two stages. The first part of the report, which will include the economic assessment of the resources, will be presented in 10 months. On the basis of this report the Government of India will take a final decision about the scope and the capacity of the project. The final report will be presented in 18 months from the date the agreement on the project report becomes effective.

The proposed project will have a capacity to manufacture 1,20,000 tonnes of alumina per annum and 30,000 tonnes per annum of aluminium metal supported by facilities to manufacture aluminium semis. The Hungarian Government has already offered credit to cover the foreign exchange component of the project.

Intensive Agricultural District Programme

An Appraisal

C H Hanumantha Rao

The first Report of the Expert Committee on the Assessment and Evaluation of Intensive Agricultural District Programme (I A D P) for the period 1961-63 is instructive in many ways. It gives detailed and valuable information relating to inputs used under the Programme and yields per acre.

While it is true that the period under review is too short to warrant judgments of a lasting nature, the character of the Programme is such that its evaluation on the basis of short-period results is both necessary and possible.

THE objective of the I A D P or "Package Programme" is to promote the use of inputs such as fertilizers, improved seeds and insecticides, etc, in their most profitable combinations in areas possessing the maximum of advantages in regard to physical, climatic and institutional factors with a view to ensuring maximum returns on the package of these scarce factors in the shortest possible time. The districts selected therefore, are those which enjoy the maximum of irrigation facilities, where the natural hazards like soil-erosion, floods and water-logging etc, are the minimum, and where service co-operatives are well-developed and the cultivators are receptive to improved practices. The basic infrastructure is thus given and growth is to proceed through the intensification of current inputs in their effective combinations. The Programme, therefore, does not require a long gestation period and increases in yields can be expected even within a single production year, though a longer period would be required to produce striking improvements in yields through the increased level of input use.

The Report

The programme was undertaken initially in seven districts. The period covered by the Report is three years, viz, 1960-61, 1961-62 and 1962-63. In some districts, however, the Programme was started in 1961-62. The achievements in regard to input use are impressive. According to the Report, the consumption of nitrogenous fertilizers in these districts, on an average, doubled and that of phosphatic fertilizers trebled between 1960-61 and 1962-63. The quantity of seeds treated against seed-borne diseases increased by about 50 per cent and the area treated against pests and diseases increased by about 36 per cent between 1961-62 and 1962-63. Credit under the Package Programme is production oriented and conventional rules regarding credit worthiness are relaxed somewhat with a view to enabling the tenants to participate in the production plans. The loans advanced by Central Cooperative Banks in these districts increased by 50 per cent between 1959-60 and 1961-62. Short term loans advanced by Primary Credit Societies increased by 37 per cent while the amount of medium-term loans registered an increase of over 300 per cent.

To assess the changes in the yields of principal crops in the package areas, crop-cutting experiments are conducted under the Bench-Mark Survey. Crop-cutting experiments are also conducted in the "controlled" areas for each of these districts. Controlled areas are selected in such a way that they are as similar as possible to the Programme district in respect of factors like irrigation, rainfall, soil types, crop-pattern, credit and marketing facilities and agricultural practices. The difference in production trends between Programme districts and Controlled areas could move appropriately be ascribed to the Programme.

Impact of Unfavourable Weather

It will be seen from Table 1 that the yields per acre of crops in the Package areas were generally higher in 1961-62 as compared to those in 1960-61. Out of 22 cases as many as 18 showed an improvement in yield per acre, the increase being substantial in many of these cases. Owing to the non-availability of figures of yield for the Controlled areas during 1960-61, it is difficult to make an estimate of net improvement due to Package Programme. Favourable weather in 1961-62 might well have been an important factor behind this improvement in yields. This inference derives support from the fact that during 1961-62, in at least 14 cases out of 20, the yields in Controlled areas were either equal to or higher than those in the Package areas. There are very few cases when the yields in the former are significantly lower than those in the latter. That weather must have influenced yields significantly is evident when one compares yields between 1961-62 and 1962-63: There is a general decline in yields per acre during this period in Package as well as Controlled areas. Out of 43 cases, the yields per acre declined in as many as 30 cases and they remained constant in a few more cases. The decline in yields is quite significant in a large number of cases ranging from 10 per cent to 50 per cent. Weather was reported to be generally unfavourable during this year in many districts studied. Such a significant decline in yields even in the Package areas, where the natural hazards are the minimum and where an intensive drive has been in progress for increasing yields, would indicate that even the best of development efforts in the most favourably placed regions fail to neutralize the depressing effects of weather under the existing conditions. It would appear from this that unfavourable weather during the last few years is far more to blame for the present stagnation in agricultural output than is generally understood.

Need for Cost-Benefit Analysis

Table 2 shows that in Package areas, yields were generally higher among farms using fertilizers as compared to those not using fertilizers even during the year 1962-63. This indicates that bad weather would have depressed the average yields much further if the Package Programme did not operate in this period. However, the response among farms using fertilizers was much lower during 1962-63 as compared to the response in 1961-62: The response was lower in as many as 15 out of 21 cases; and in at least 3 cases, yields among fields using fertilizers were lower than among those not using fertilizers during the year 1962-63, whereas no such decline was noticed in the year 1961-62. If yields are depressed significantly owing to bad weather inspite of considerable increases in the package of inputs, then the cultivators will develop a tendency to discount heavily for risk while making investments even in a normal year thus defeating, to a certain extent, the very objective of the Programme. Besides,

the liberal application of scarce factors like fertilizers during the year of general crop failure would deprive the economy of the higher returns that could alternatively be obtained by using them in an adequate measure in a good year. Therefore, the use of fertilizers in a bad year should not be encouraged beyond a point at which their use is considered just worthwhile after discounting adequately for risk. This incidentally suggests the need to evaluate the Programme on the basis of cost-benefit analysis at the farm level.

A Comparison

It is necessary to examine whether the development efforts in the Package areas contributed to the improvement in yields relative to those in Controlled areas. Such an improvement can be expected even in the period experiencing bad weather because areas where Intensive Programmes of development are in progress should be relatively less vulnerable to the vagaries of climate. An attempt is made to examine this by comparing the ratios of Package yields to Controlled yields in the two years (see Table 3). The ratio has improved for rice in West Godavari and Raipur districts, while it showed a deterioration in Thanjavur. The ratio increased for many important crops in Ludhiana. In Aligarh certain principal crops such as wheat and gram showed an improvement in their yields relative to those in Controlled areas, although bajra and maize showed a decline. The ratios for Pali indicate a decline in the relative yields in the case of many crops. Thus two districts, viz, Thanjavur and Pali show a clear deterioration in crop yields relative to Controlled areas. Considering the fact that the proportion of area irrigated is quite low (20 per cent) in Pali, Thanjavur is the only district showing deterioration in the relative yields despite favourable physical conditions (about 84 per cent of cultivated area is irrigated in this district).

But these inferences rest on the assumption that weather has affected crop yields in the same direction and with equal intensity in Package and Controlled areas. However, weather is known to behave differently even between adjoining districts. To the extent this phenomenon holds true for the period under study, the comparisons made would yield a distorted picture. It is essential, therefore, to collect data on principal weather indicators such as rainfall for Package as well as Controlled areas without which no *meaningful comparison could be attempted. Another factor to be kept in view while making such comparisons is that crop-cutting experiments are extended to new areas every year as the coverage under Package Programme increases.* In Thanjavur the number of crop-cutting experiments as well as area covered increased substantially between the two years. The comparison will be distorted if the yield levels in the newly covered areas are different from those in older areas due either to the differences in soils or to the level of input use being *relatively higher in areas already under the Programme. It will be useful, therefore, if, in addition to the average yield rates, separate figures of yields are also given for older areas and for those newly covered.* There is yet another factor vitiating comparison of yields between Package and Controlled areas. Part of the improved inputs, particularly fertilizers, supplied in the Package areas may be finding their way into the Controlled areas and raising crop yields there. This is quite likely in view of the fact that these inputs are supplied liberally and

Table I: Yields in I A D P and Controlled Areas

(Quintals per hectare)

	1960-61	1961-62	1962-63	Per cent Change Between Col (1) & (2)	Per cent Change Between Col (2) & (3)
	(1)	(2)	(3)	(4)	(5)
(1) *Thanjavur (Madras)*					
Rice (First) I	15.2	17.0	15.4	*11.8*	—9.4
C	—	17.3	17.7	—	*+2.3*
Rice (Second) I	14.4	17.0	14.0	*18.1*	*—17.6*
C	—	16.1	15.6	—	*—3.1*
(2) *West Godavari (Andhra)*					
Rice (First) I	14.6	16.9	13.8	*15.8*	*—18.3*
C	—	17.9	14.5	—	*—19.0*
Rice (Second) I	10.9	15.2	18.2	*39.4*	*+19.7*
C	—	13.6	15.9	—	*+16.9*
(3) *Shahabad (Bihar)*					
Rice I	10.8	12.9	11.8	*19.4*	*—8.5*
Wheat I	8.0	6.8	7.0	*—15.0*	*+2.9*
Gram I	5.6	5.3	5.4	*—5.4*	*+1.9*
(4) *Raipur (M P)*					
Rice I	—	9.8	7.9	—	*—19.4*
C	—	9.4	7.2	—	*—23.4*
(5) *Aligarh (U P)*					
Bajra I	2.7	5.2	7.9	*92.6*	*+51.9*
C	—	5.5	9.9	--	*+80.0*
Maize I	2.4	5.0	13.4	*108.3*	*+168.0*
C	—	4.6	15.8	—	*+243.5*
Wheat I	11.5	12.0	11.9	*4.3*	*—0.8*
C	—	15.0	13.5	--	*—10.0*
Barley I	9.1	11.3	11.3	*24.2*	N.C.
C	—	15.8	12.3	—	*—22.2*
Gram I	9.4	7.8	9.5	*17.0*	*+21.8*
C	—	12.4	8.6	—	*—30.6*
Pea I	11.4	10.5	9.6	*—7.9*	—8.9
C	—	15.4	14.7	—	—4.5
(6) *Ludhiana (Punjab)*					
Maize I	--	20.1	11.4	—	—43.3
C	—	20.9	12.7	--	—39.2
Cotton I	--	3.0	1.6	—	—46.7
C	—	3.0	1.4	—	—53.3
Wheat I	15.6	17.6	17.5	12.8	—0.1
C	15.9	17.6	15.4	10.7	—12.5
Gram I	9.4	10.5	10.5	11.7	N.C.
C	9.5	11.2	9.6	17.9	—14.3
(7) *Pali (Rajasthan)*					
Maize I	9.9	9.7	9.1	—2.0	—6.2
C	—	7.9	10.5	—	+32.9
Bajra I	1.7	3.2	2.5	88.2	—21.9
C	—	2.7	2.5	—	—7.4
Jowar I	1.2	2.8	1.3	133.3	—53.6
C	—	2.8	1.2	—	—57.1
Wheat I	9.5	10.4	9.4	9.5	—9.6
C	—	12.4	12.8	—	—3.2
Barley I	10.3	11.8	10.8	14.6	—8.5
C	—	14.9	11.2	—	—24.8

I=I A D P Area
C=Controlled Area
N C=No Change

Controlled areas are generally contiguous to Package areas and are, by definition, most suited to input-intensification. The comparison under such circumstances would tend to underestimate the progress in the Package areas.

In view of the difficulties mentioned above, the comparison between Controlled and Package areas cannot, by itself, provide a reliable method for evaluating the progress. It is important, therefore, to evolve some additional criteria for measuring the progress under the Programme. The present Bench-Mark Surveys could be utilized to measure the changes in yields for the same plots or for relatively homogenous areas and to work out net returns at different levels of input use under varying climatic conditions. Cost-benefit analyses made for the sample farms are far more useful for evaluation purposes than the analyses available for demonstrations laid out on cultivators' plots not only because the former would be relatively free from reporting biasses but also because they help in explaining the lag between the actual and expected growth and in assessing the growth possibilities as distinct from growth potentialities indicated from the demonstrations laid out.

Implications for Tenure Policy

The experience in the Package areas has some interesting implications for land tenure policy. A recent study made by Wolf Ladejinsky on the tenurial conditions in the Package districts revealed that as much as 50 per cent of cultivated area was under some sort of tenancy, open or disguised, in Thanjavur and West Godavari. Tenancy was also widespread in Ludhiana and Shahbad. He found that the existing enactments and administrative arrangements for ensuring the security of tenure and fair rents have proved, in practice, to be totally ineffective. He observed, however, that the costs on fertilizers were generally shared equally by the landlord and the tenant in West Godavari and Ludhiana districts, whereas in Thanjavur, landlords in many cases did not share any burden. He concludes from his investigations that these areas are suffering from tenurial disincentives and as such should not have been selected for Package Programme.

Tenurial disincentives may affect the growth of output by discouraging investments in permanent improvements as well as current inputs. Under the existing mode of cultivation, irrigation constitutes by far the most important permanent improvement that one could make on land. Therefore, for areas already irrigated such as Package districts, the question of permanent improvements being discouraged becomes largely irrelevant. As for the current inputs, factors like family labour, which are relatively abundant and whose opportunity cost is very low, will be applied liberally because so long as the marginal product for these relatively "free" resources is positive, their application will add to the income of the tenant even if the rent bears a fixed proportion to the gross produce. In the case of purchased inputs such as fertilizers, however, a tenant who has to pay 50 per cent of

Table 2: Percentage Difference in Yields Per Acre Between Feilds Using Fertilisers and Those Not Using Fertilisers

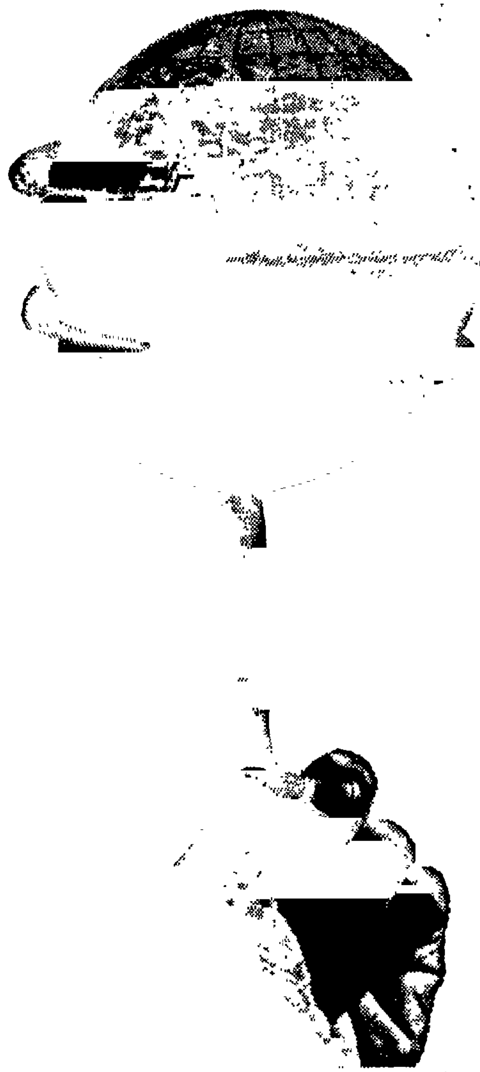
	1961-62		1962-63	
	M	O	M	O
	(1)	(2)	(3)	(4)
(1) *Thanjavur (Madras)*				
Rice: Kuruvai	*7.1*	—	*4.2*	—
Samba	*6.1*	*N.C.*	*13.3*	*47.1*
Thaladi	*39.4*	*20.8*	*10.2*	*7.6*
(2) *West Godavari (Andhra)*				
Rice: First Crop	*29.9*	*38.9*	*28.9*	*—15.5*
Second Crop	*28.5*	*43.8*	*—2.5*	*32.8*
(3) *Shahbad (Bihar)*				
Rice: Irrigated	*7.1*	*50.0*	*6.7*	*12.7*
Unirrigated	—	*31.4*	—	*21.4*
(4) *Raipur (M P)*				
Rice: Irrigated	*19.1*	*41.7*	*34.6*	*23.9*
Unirrigated	*7.0*	*53.4*	*10.8*	*15.5*
(5) *Aligarh (U P)*				
Wheat: Irrigated	*58.3*	*41.0*	*4.0*	*12.2*
(6) *Ludhiana (Punjab)*				
Maize: Irrigated	*8.6*	*1.0*	*59.3*	*—11.0*
(7) *Pali (Rajasthan)*				
Maize: Irrigated	*2.7*	—	*8.7*	—

M—Fields using farm yard manure
O=Fields not using farm yard manure
N C=No change

Table 3: Ratios of Yields Per Acre in I A D P Areas to Those in Controlled Areas

		1961-62	1962-63	Difference between Col (2) & (1)
		(1)	(2)	(3)
(1) *Thanjavur (Madras)*				
Rice (First)		0.98	0.87	—0.11
Rice (Second)		1.06	0.90	—0.16
(2) *West Godavari (Andhra)*				
Rice (First)		0.94	0.95	0.01
Rice (Second)		1.12	1.14	0.02
(3) *Raipur (M P)*				
Rice		1.04	1.10	0.06
(4) *Aligarh (U P)*				
Bajra		0.95	0.80	—0.15
Maize		1.09	0.85	—0.24
Wheat		0.80	0.88	0.08
Barley		0.72	0.92	0.20
Gram		0.63	1.10	0.47
Pea		0.68	0.65	—0.03
(5) *Ludhiana (Punjab)*				
Maize		0.96	0.90	—0.06
Cotton		1.00	1.14	0.14
Wheat	(0.98)*	1.00	1.14	0.14
Gram	(0.99)	0.94	1.09	0.15
(6) *Pali (Rajasthan)*				
Maize		1.23	0.87	—0.36
Bajra		1.19	1.00	—0.19
Jowar		1.00	1.08	0.08
Wheat		0.84	0.73	—0.11
Barley		0.79	0.96	0.17

* Figures in brackets are ratios of yields in the I A D P areas to those in Controlled areas for the year 1960-61.



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his gross produce as rent will stop their application at a point where the marginal revenue is twice the marginal cost, for, it is only then that he can cover his costs after meeting the landlord's share. If the costs on such inputs are shared equally by the landlord and the tenant, then their application may proceed upto the point where the marginal revenue equals marginal cost. Therefore, in areas which are already irrigated and where the landlords agree to share the costs on purchased inputs, growth of output as such may not be affected significantly due to the share-cropping system of tenancy if credit facilities are extended to the tenants on liberal terms.

It is not without reason, therefore, that the response for Package Programme has been encouraging in West Godavari and Ludhiana districts where according to Ladejinsky, landlords generally share the costs on fertilizers. Even in Thanjavur, according to the IADP Report, "Chemical Fertilizers were used by about 70 per cent of cultivators mostly in combination with *organic manures ..and a fair agreement* is noticed between the dosages applied and those recommended." These facts suggest the need to make a clear distinction between the growth and distributive elements in the tenurial policy. Since measures for maintenance of tenancy records, security of tenure and fixation of fair rents have been encountering continuous resistance from the landlords, these might as well be pursued as long-term distributive measures. A short-term tenurial policy designed mainly to promote the growth of output should be pursued vigorously by insisting that landlords share the costs on the improved inputs at least to the extent of 50 per cent. *The enforcement of such partial* measures should be administratively convenient as well as politically feasible. On the other hand, a simultaneous insistence on all measures under the existing socio-political conditions may undermine distributive justice as well as economic growth.

Planning and Demand Theory

Reply

H K Manmohan Singh

A K DASGUPTA'S review of my book "Demand Theory and Economic Calculation in a Mixed Economy," (*The Economic Weekly*, September 12, 1964) is instructive largely within the framework of his own thinking. However, since I believe that Dasgupta has largely missed my thesis, I wish to make a brief clarification of my own position.

II

In Part II of my book, after examining the implications of allocation of resources and distribution of outputs under different theoretical systems, I wrote as follows:

> "...the price mechanism provides an efficient economic calculus and leads to optimum resource allocation. Why any society should not accept this cardinal principle of optimization is not appreciated in Western economic theory. To understand 'economic growth', however, one has to probe behind the assumption of fixed resources of static theory and search for the factors that make the resources grow. Soviet economic thinking has been mainly taken up with the latter question. Through the exercise of direct control of the 'rate of investment' and 'technological progress', the Soviet authorities have been able to bring about a remarkably high rate of economic development. However, the Soviet approach only underlines the obvious: that 'economic efficiency' is a two-dimensional concept. While 'optimum utilization of available resources' provides one dimension, the other is 'optimum development of resources'. Western theory has emphasized the former. Soviet experience the latter. The *optimization* theorem must emphasize both. The literature on growth and planning readily reveals that while the Soviet rate of development as compared to *the average rate of development in* many of the non-socialist countries has been constantly much higher, Soviet planning experience has been by no means free from the *pitfalls of misallocation of resources*." (P 104)

Following the above line of thought, I tried to argue that the optimum course for a mixed economy like India would be *to fuse the two theoretical systems*, of price and direct calculation, and use them together as one. The fact that India is a mixed economy was shown to be both an argument and a helpful factor for following such a course. Further, recent developments in thought in socialist countries were cited as an additional compelling factor for such a formulation. An extract from my book, relating to these developments, is given below:

> "The year 1956 saw the beginning of a great intellectual debate on the 'role of the law of value in a socialist economy'. The debate opened at an academic conference at the Economics Institute of Moscow in December 1956. It was continued throughout the year 1957 until January 1958 when the fifth and the last conference was held at the Chair of Political Economy of Moscow University. The second, third and fourth conferences took place at the Economics Institute during 1957. A large number of papers and articles have been written on the subject since the debate first started. The controversy as to the validity of the law of value in socialist economies is still alive at the time of this writing. The majority opinion led by L Gatovski, Ia Kronrod and K Ostrovityanov in Soviet Russia and M Kalecki and O Lange in Poland seems to centre round the proposition that adoption of a rational price rule is essential to guide resource allocation in general and investment choices in particular. However, the Marxist constraints on Soviet intellectuals are too formidable to permit an easy marriage of Soviet planning theory to the law of value which has 'capitalistic' origins. Although the controversy has not yet died, the debate appears to have bogged down on this doctrinal issue". (P 108-09)

I did not pose, as Dasgupta suggests I did, the issues in the spirit of whether production should follow the pattern of demand or demand should follow the pattern of production. If Dasgupta had seen the question in the integrated spirit developed by me, he would not have made such statements as this:

> "Our author does not seem to be clear on this issue and is found to quote Pigou and Robbins in the

same breath. Can it be that his heart is in planning and control, while his academic training is in the old liberal tradition?"

The above argument of Chapter 6 has been restated in Chapter 7 with additional emphasis. The section in which I have developed the notion of the "state's preference function" is concluded with the following words:

> "To conclude, in an economy in which the decision-making rests partly with the state and partly with individuals, any satisfactory theory will have to be based on the dual system of preferences. *The present state of demand theory, based as it is on individual preferences alone, appears to be in the nature of an antithesis to planning.*" (P 119)

It was open to Dasgupta to point out that the contemplated marriage of the two theoretical systems would not be proper or feasible. In arguing that in a planned mixed economy "it is demand that is made to follow the pattern of production, rather than the other way about", he is raising an issue of his own.

III

Part I of my book is in the nature of an exposition and critique of the logical analysis of demand. As I said in the Introduction, "This is necessary because an extended comment has been forthcoming on demand theory in recent years and its substance is not easily available except to a specialist in the field". The fact that Dasgupta offers no comment on chapter 4, which is more than one-third of Part I of my book and deals with the important developments in the theory since the Hicks-Allen formulation of demand in 1934, is ample justification for having written it out. The literature on the subject is so widely dispersed that in a country like India I know of no single library that will possess all of it. Dasgupta is most certainly right when he observes that "Part I of the book is somewhat textbookish, although it will certainly prove useful to students of our Universities...". He repeats, "Students of demand theory will benefit from this summary...", etc.

IV

There are two points in Dasgupta's observations which bear on scientific methodology to which I must draw attention before concluding this note.

Part I of my book, as I said above, attempts to survey developments in the theory of demand. There are two main elements which run through this survey: one, reporting of the developments and criticisms to which they have been subjected; second, my own appreciation of both. Obviously, in reporting I could not have accommodated prejudices, neither Dasgupta's nor my own, and the fact that a particular point has, through wide adoption in textbooks, become common even to the extent of being known to every "schoolboy" does not disqualify it from being reported in the proper manner. The point that "There is a gallant inconsistency between Marshall's assumption of constant marginal utility of money and his *ceteris paribus* clause" (p 34 of my book) is one of the main points of criticism made by *Hicks against Marshall. By relaxing the assumption of constant marginal utility of money, Hicks has got some exciting results. I could not have passed it by. Even Schumpeter is quite emphatic about this point.* He writes, Marshall's assumption of constant marginal utility of income "limits" his method "severely" and his theory "cannot be applied to such things as food in general or house room" ("History of Economic Analysis", p 1061). In a subsistence economy like India what percentage of total expenditure is expenditure on such items needs no telling.

Viewed in this context, Dasgupta's sally of an argument that "the limitation, one must remember, is factual and not logical" is redundant. May one ask if Dasgupta is not standing logic on its head?

In regard to the recent developments in the field of demand theory, my own position is stated in most unequivocal terms: that (a) these developments "have very little economic content" if they are not to be regarded as exercises in futility and (b) most writers in the field "seem to explore either the meaning and logical implications of the consistency assumption about human behaviour" or else try to rewrite existing theories in terms of newer techniques.

Another point which as a scientific worker I cannot accept is Dasgupta's criticism of my inability to profess my own opinions in favour of one system as against another. He writes, "like a school-master" the author "takes 'both sides' into account and leaves the reader in doubt as to where his own sympathies lie". Does Dasgupta really want scientific analysis to be *confused* with judgments of value? My job was to show the 'efficiency' implications of various theoretical systems, and not to judge them. It is a long time now that Robbins performed the Caesarean operation and the profession has got used to drawing a line between judgments of equity and those of efficiency.

V

Again, Dasgupta has observed that "the traditional purpose of demand theory" was to establish a link between demand theory and welfare. I do not believe this to be true. The traditional purpose of demand theory was to establish a satisfaction theory of relative prices. To cite a classic example from history, the marginal utility theory of demand was developed to resolve the paradox that useful commodities such as water have a low price or none at all and less useful commodities such as diamonds have a high one, or, to wit, in the language of the metallists "why a golden calf is valued more highly than a natural calf". One has only to look up Lloyd's "Lecture" or Menger's "Principles" or Walras's "Elements" to be sure that they did not refer to welfare at all. I might as well cite Professor Schumpeter who has examined the writings of over twelve hundred economists:

> "The first problem that Jevons, Menger, and Walras—Gossen too—tackled by means of the marginal utility apparatus was the problem of barter. Like their 'classic' predecessors, they realized the central position of exchange value...They all ...aimed at the same goal, which was to prove that the principle of marginal utility suffices to deduce exchange ratios..." (Economic Analysis", p 911).

Fuel Gas Plants Based on Naphtha

THE Minister of Petroleum and Chemicals, Humayun Kabir, affirmed in the Lok Sabha last week that the British Institute of Petroleum had recommended the establishment of more fuel gas plants based on naphtha in major cities. Asked if any decision had been taken in the light of these recommendations, the Minister replied that the matter was under examination. He further disclosed during 1963, 1,342,384 tonnes of motor gasoline and 19,438 tonnes of naphtha were produced in the country and utilised as follows:

	(Tonnes)
Motor gasoline for internal consumption	957,015
Motor gasoline for export	364,759
Naphtha for fertiliser manufacture	25,633

As such there was no appreciable surplus of naphtha, he said.

Demand Elasticity for Foodgrains

Pushpam Paul

Ashok Rudra

This note is meant as a rejoinder to the article by one of us which appeared in The Economic Weekly *of November 7, 1964, "Relative Rates of Growth : Agriculture and Industry".*

The results presented in that article in Table 5 regarding distortion in the price structure may appear to many as too extreme in the light of the ideas one has got about the expenditure elasticity of demand for foodgrains and other consumer products. An attempt is made here to re-examine these elasticities.

THE generally-held ideas on elasticities are not at all baseless— they are based on the extensive data that has been collected by the NSS Organisation on household expenditure pattern. Table 1 below shows the expenditure elasticities of foodgrains that have been worked out from different rounds of the NSS. These results and many others which are very similar to these have led to a general acceptance of the idea that the elasticity of demand for foodgrains is around 0.5, somewhat less than that for urban consumers, somewhat more for rural ones. This low figure for the elasticity underlies most of the projections for demand for foodgrains that have been worked out in this country. Seldom has the concept of elasticity underlying the figures of Table 1 been critically appraised to see whether it is valid to use them for projection purposes. In particular, it has quite often not been kept in mind that:

(1) These figures are based on the demand pattern *in the cross section* of consumers at a particular point of time and that it is an *untested hypothesis;* that they would apply to a *time series* of demand pattern in the *aggregate.*

(2) These figures relate expenditure on foodgrains to total expenditure and not *quantities* of foodgrains demanded;

(3) That these elasticities are functions of the relative prices prevailing during the corresponding years and that they can be used for projection purposes only under certain assumptions regarding the prices; and

(4) That these elasticities are based on calculations that treat commodity groups in isolation and therefore do not take any account of substitution effects.

In order to overcome these drawbacks, we undertook*, an application of the Linear Expenditure System developed by Professor Stone and others to NSS data. Some results obtained by us have already been presented in the article referred to earlier. Some further results are being presented here, but we would at first draw the attention of readers to the following table which presents the values of elasticities of demand *in quantity* for foodgrains following from the demand function fitted. (Expression for the demand elasticity with respect to total expenditure is $\frac{b_i E}{q_i p_i}$ See further below for explanations of the symbols). As can be seen at a glance, the elasticities following from a time series analysis of N S S data, taking full account of changes in prices, are approximately double of those based on a cross section analysis of individual rounds' data. The changes in price structure to be expected from un-balanced growth of agriculture and industry as measured by the figures of Table 5 in the article referred to would not perhaps appear at all incomprehensible if true elasticity for foodgrains demand is around 1.0 whereas so long it was thought to have been around 0.5. Tables 3 and 4 may now be referred to compare the elasticities based on the two methods for other commodities.

There is everything to be said in favour of laying greater reliance on the elasticities of Tables 2 and 4 than on those of Tables 3 and 4 for making projections for planning purposes. For such projections refer to *aggregative* demand and *over time,* and it is from data relating to aggregative demand over time (NSS rounds 8 to 14) that the elasticities of Tables 2 & 4 have been estimated and they also take changes in prices into account where as the cross sectional data based figures do not do so. It is also to be emphasised that the demand function used by us *do* explain very well the variations of demand from round to round, as may be judged by the product-moment correlation coefficient between observed values of demand, and the corresponding expected values, given the total expenditure and the relative prices (see Table 5). Now no attempts have been made uptil now to compare in a similar fashion the same observed values with the expected ones that would follow from the use of cross section elasticities. The other point in favour of the linear expenditure system is that it makes possible not only projection of demand, but also prediction of price changes given supply anticipations. This is not of course possible when working with constant elasticities, cross sectional or otherwise.

II

The linear expenditure system considers an exhaustive classification of all consumer commodities into n categories. If q_i stands for the demand for the ith commodity in quantity and p_i for its price and E for its total expenditure, then the demand in value is expressed as

$$q_i p_i = \bar{q}_i p_i + b_i \left(E - \sum_{i=1}^{n} p_i \bar{q}_i \right)$$

$\bar{q}_i$ and b_i are the parameters of the function. $\bar{q}_i$ stands for what is called "committed expenditure on item i" irrespective of prices and irrespective of the total amount of consumption expenditure. b_i stands for the fraction of the uncommitted part of expenditure that is devoted to commodity i, so that $\sum_{i=1}^{n} b_i = 1$. Simple as this formula is, it satisfies three of the four desired properties of a demand function. namely those of homogeneity, additivity and

Table 1 : Expenditure Elasticity of Demand for Foodgrains

(Cross Section Data)

N S S Round	Elasticity Rural	Elasticity Urban
4th	0.69	0.31
5th	0.59	0.37
7th	0.52	0.30
9th	0.56	0.34
10th	0.61	0.31

Table 2 : Demand Elasticity for Foodgrains

(Time Series Data)

N S S Round	Urban and Rural Combined
8	1.03
9	1.05
10	0.97
11	0.92
12	0.90
13	0.93
14	0.93

* Let it be recorded that all the work was actually done by Sm Pushpam.

symmetry. What is more, Professor Stone found that it gave excellent fit to demand and price data for the British economy, and our own experience shows that it also does the same for N S S Consumption data.

N S S data used by us refers to the rounds 8th to 14th. We have used a classification scheme of six groups. Comparable data over a number of rounds was available only for this *grouping scheme. As such it has not* been possible for us to fit the model to a larger number of commodities. It appears to us that given the very satisfactory results obtained, it would be desirable if fresh tabulations are under taken to obtain data with a finer commodity classification for N S S data for a large number of rounds. The undoubtedly large volume of work that would be involved would indeed be worth the trouble in view of the fact that it would be possible to make demand projections for important commodities on much sounder basis than it has been possible until now. The rural and urban figures were weighted by the respective populations to yield one set of figures for all consumers.

As *to the prices to be used*, some difficult problems had to be faced. Each commodity group is comprised of a number of commodity items that are highly heterogeneous with respect to their relative price movements. One has obviously to compute weighted averages of the retail prices of the different commodities in each group, the weights being the quantities of consumption of the respective items during the period. However, the present statistical position relating to prices in India does not permit of the use of retail prices, as they are not available in sufficient details. The reference periods of the different rounds of the N S S data are different in their lengths, sometimes it is six months, sometimes eight, sometimes ten or even twelve months. Hence what is required is monthly statistics of prices in order to arrive at the prices that prevailed during the reference periods of each round. The Directorate of Economics and Statistics has in one of its annual publications brought out the monthly indices of wholesale prices of all commodity items for the period March 1953-December 1961, with 1952-53 as base. Using these data, the average index of wholesale price for every commodity item had to be calculated for the reference period of each of the rounds. Having thus obtained the index number of wholesale prices of all the commodity items during the rounds, we proceeded to build up the index relating to each of the six commodity groups during the rounds by computing a weighted average of the indices corresponding to the members of each group. Regarding weights, the N S S provides detailed information as to expenditure distribution within each commodity group by the commodity items included in every group in its special tabulation programme under taken during its 10th, 13th and 15th rounds. These expenditures on various items during the 10th, 13th or 15th rounds were all translated to rupees of 1952-53 by deflating them by means of the proper price indices and averaged to yield the weights.

Table 4: Expenditure Elasticities of Demand

(Time Series Data)

Commodities	N S S Rounds 8	9	10	11	12	13	14
(1) Foodgrains	1.03	1.05	0.97	0.92	0.90	0.93	0.93
(2) Milk & Milk products	1.27	1.21	1.22	1.35	1.36	1.29	1.32
(3) Other food	0.86	0.87	0.94	0.92	0.95	0.95	0.91
(4) Clothing	1.05	1.04	1.06	1.13	1.16	1.11	1.26
(5) Fuel & light	0.87	0.85	0.90	0.97	0.95	0.91	0.97
(6 Other non-food	1.00	1.00	1.02	1.08	1.07	1.04	1.04

Table 5: Parameter of the Linear Expenditure System Fitted to NSS Data

Commodities (i)	Parameters b_i	q_i	Corelation Coefficient between Observed and Expected r_i
(1) Foodgrains	0.3475	5.89	0.99
(2) Milk & Milk products	0.1059	1.13	0.65
(3) Other food	0.1952	3.07	0.96
(4) Clothing	0.0899	1.05	0.50
(5) Fuel & light	0.0613	1.01	0.73
(6) Other non-food	0.2002	2.75	0.92

N.B. The Parameters q_i are at the prices of 1952-53.

Table 3: Expenditure Elasticities of Demand

(Cross Section Data)

Commodities	NSS Rounds 4th rural	4th urban	5th rural	5th urban	7th rural	7th urban	9th rural	9th urban	10th rural	10th urban
1	2	3	4	5	6	7	8	9	10	11
(1) Milk & products	1.84	1.80	1.89	1.74	1.99	1.79	1.64	1.52	1.85	1.49
(2) Clothing	0.87	1.02	0.92	0.98	1.66	1.72	1.56	1.63	1.66	1.63
(3) Fuel & light	0.78	0.68	0.67	0.75	0.69	0.81	0.56	0.69	0.66	0.72

Source: "Consumption Projections of Selected Items over the Period of Third Five Year Plan" by A K Biswas and D K Bose.

From the Chair

Delhi Cloth & General Mills Co., Ltd.

Speech of the Chairman, Dr Bharat Ram

THE following is the Speech by Dr. Bharat Ram, Chairman, Board of Directors, Delhi Cloth & General Mills Co, Ltd, delivered at the 76th Annual General Meeting of the Shareholders of the Company on November 24, 1964, at Bara Hindu Rao, Delhi-6:

Friends,

It is a great pleasure for me to welcome you all to this 76th Annual General Meeting of your Company. Since we met last year a great tragedy overtook the country. We lost our respected Prime Minister, Pandit Jawaharlal Nehru. Indeed few people in any country at any time have contributed so much to enrich the lives of their countrymen. He was not a man of the moment, but an architect who shaped the destiny of India. He conceived things in a big way, and it is his farsightedness that made India embark upon a massive programme of social and economic development. Let us pay our humble homage to this great son of India and observe silence for a minute.

We are gratified that the void created by the loss of such an eminent personality has been repaired by exemplary democratic means. We now have as our Prime Minister, Shri Lal Bahadur Shastri. With his great attachment to social values, devotion to the cause of the common man and personal integrity, I have every hope that he will lead the country to greater and greater prosperity.

Economic Situation

At the moment, however, the problems appear to me to be getting out of hand. In a single year, prices rose by more than 15 per cent, though this rise is mainly confined to agricultural commodities. There is no doubt that the spurt in the price level was occasioned, on the one hand, by shortfalls in agricultural production, and on the other, by excessive spending on the part of the Government on non-productive uses. The food shortage evinces rather clearly that our agricultural policy has not been working in the right manner. There have been failures in the administration of policy at village and block levels and incomplete co-ordination between different departments in Government. The impact of these shortages has been exaggerated by restrictions on free movement of foodgrains imposed by State Governments. An artificial scarcity has been created in so-called deficit areas.

Thus, to a large extent the present rise in prices has been self-imposed and can be very much improved by removal of restrictions. We have been helped by timely assistance from foreign countries particularly the USA. While such assistance is of great importance to overcome temporary difficulties, we cannot depend on such assistance for all time. It is absolutely necessary for the country to become self-sufficient in food production and the administrative structure and policy to be reoriented towards this goal. It is no use diverting the public attention by placing blame at the door of one section of the community or the other. No system of distribution will be effective if production itself remains at a low level. There should be adequate incentives for the farmer to produce more and he should be provided with adequate facilities at the right time. Uptill now industrialists have not taken direct interest in agriculture. I feel that such interest is absolutely necessary; at least by those who run industries primarily based on agriculture. If I may say, it should be possible to impart to agriculture the techniques that make the successful running of industries. Our experience will be useful in this behalf.

Lawlessness

The food shortage has created many problems not only in the economic sphere, but in others on which the very social order depends. Mischievous elements in society have taken advantage of the explosive sentiments and aggravated what would appear to be minor handicaps. There are disturbances everyday in some part of the country or the other. Scenes of lawlessness in which even students are participating have become common. Strikes are organised at vital points like docks which have to clear food imports.

All this is happening when we are programming the Fourth Plan with a comparatively faster growth. It is reported that the Fourth Plan will be designed in a manner which will help rapid growth of agricultural and industrial output. The problem, however, is not one which merely calls for greater expenditures. Unless effort is concentrated on specific factors which promote productivity directly, it is difficult to see how it would be possible to increase production and control the price level. So in the Fourth Plan outlays must be such that they will augment productivity. A balance has of course to be secured between short-term and long-term yields. It will be dangerous to dissipate resources in non-productive fields.

Capital Market

There is a contradiction in the present economic situation. While on the one hand there is a rapid increase in prices of commodities, there is on the other almost a continuous decline in the level of share prices. It is more natural to expect that prices of shares provide hedge against inflation. But not only have they failed in this respect, but have even declined by a substantial margin. This shows that there is certainly something wrong in the financial policy which has tended to divert larger parts of investible funds from the people to Government. This aspect is again revealed in smaller contributions to new issues. Even good companies are finding it difficult to raise rupee resources. A great many of the new issues are underwritten and a large part of the issue is held by the underwriters themselves. This situation is not conducive to rapid industrial development. Unless there is a free flow of finance from people to industry it is not possible for industry to secure the necessary balance between different types of finance consistent with considerations of risk and profitability.

The major factor which led to freezing of the flow of finance from the public was additional taxation, particularly in the Budget for 1963-64. Considering the measures adopted in the last four years the yield from additional taxation will be about Rs 2500 crores over the Third Plan

period—Rs 800 crores more than the Plan provision. This unprecedented draft on private income has naturally depleted the investible funds in the hands of the private sector. What is worse is that a large part of the resources mopped up by additional taxation was dissipated by Government over uses which did not increase the productive capacity of the country. In the first three years of the Third Plan alone over Rs 600 crores have been absorbed by purposes unrelated to the Plan. To this extent the growth in national income was suppressed and the generation of investible finance was lessened. It would have been more proper for the Government to secure finance for investment by borrowing on the capital market. This would have not only promoted better use of resources but indicated the urgency of the investment in different sectors of the economy. But to replace taxation by borrowings would again require the revival of the market for Government securities. Thus, on the whole it would appear that fiscal and monetary policies have tended to mitigate the growth of private industry by creating scarcity of finance. Establishment of newer financial institutions will, if anything, deter the growth of normal channels which alone can sustain development. Industry cannot be made to depend only on financial institutions in which case these institutions will virtually assume an unhealthy dominant position. Looked at from any angle, it is imperative that savings in the hands of the individual must be encouraged.

Unaccounted Money

In this connection, I would like to refer to the much talked about 'unaccounted money'. This has been made to appear the principal villain in the present crisis. Let me be clear that I would not justify any wrong business practices, but at the same time, I would not like the business community to be wrongly blamed. Government have organised raids to unearth this unaccounted money, but often the raids have not resulted in any tangible results. They have only created an atmosphere of suspicion which does no one any good. On the contrary, the tensions which follow and the distrust which is shown lead to inaction and only hamper the growth of industrial activity. I, therefore, hope that Government will show greater understanding and ensure greater security and individual freedom. The punishment of the guilty, I feel, cannot be justified by harassment of the honest.

I must here refer to the tacit assumption of Governmental thinking that in proportion as the State interferes more and more with established institutions, it will approach nearer and nearer to perfection. Only this can explain the plethora of laws, rules, regulations and directives. I submit that this idea that the problems of the country can be solved by the exercise of political power should be abandoned. It is time that Government adopted a purposive policy which will evoke from the community at large wholehearted, instinctive, spontaneous response to programmes of development. Unless, we are able to solve the problems quickly by releasing productive forces, I venture to express the fear that the democratic way of life itself will be in jeopardy.

Implementation of Policies

I feel that the greatest handicap from which we are suffering is the way in which policies are implemented —or rather not implemented. When it comes to the stage of implementation, there is so much of vacillation and delay. It appears as if our administrative machinery is loathe to move. Everyone is only too painfully aware of the gap between programmes and performance. I am of the view that this state of affairs could be remedied if only the Government would see that in all areas of activity those who do not produce results will not be tolerated, whether at the ministerial or administrative level.

I have briefly referred to some of the economic problems facing the country, and if immediate steps are not taken, the danger is that these problems may become even more difficult of solution.

Coming to the Company's affairs, as you are aware, the Company has completed 75 years of its successful and progressive working. To mark this happy occasion, your Directors have recommended a special dividend of 2% on Ordinary shares. It is not necessary for me to review in detail the progress of the Company; but suffice it to say that starting from a very small beginning today we are ranked among the seven biggest companies in the country. This fine record of progress and good name of the Company has been made possible by the co-operation and dedicated efforts of generations of our team of workers and Managers who have been, and will continue to be, the Company's most valuable asset. It is also not necessary for me to recall again the part played by the late Lala Shri Ram who in fact has been the chief architect of D C M.

As you will observe from the Balance Sheet while the gross profits of the Company have increased from Rs 3,39,22,290 to Rs 3,94,00,334, the net profits have gone down. This phenomenon is not unusual or unhealthy and may continue as long as the Company continues to invest large amounts of money in new industries because of the heavy initial depreciation and development rebate on new investments.

All the units of the Company have done well in the last year except the Sugar units which like all other Sugar mills in our area have suffered due to shortage and low quality of cane. Even in the current year, the prospects do not appear to be very bright for the Sugar industry. You will be pleased to know that the P V C Plant of the Company is now in full production and the Rayon Tyre Cord Plant is expected to start very shortly. Unfortunately, there is a danger of the P V C Plant having to reduce its production due to a cut in the electricity by the Rajasthan Government. However, the Company is making efforts to find an alternative solution.

In the end, I would like to place on record our sincere appreciation of the wonderful work of all our workers and staff whose efforts have enabled us to achieve such good results during the year.

"Note: This does not purport to be a record of the Proceedings of the Annual General Meeting."

Textool

TEXTOOL (Coimbatore) made a profit of Rs 26.38 lakhs for the year ended April 30, 1964 compared with Rs 21.59 lakhs in 1962-63. The larger profit has followed a rise in production of the value of Rs 50 lakhs and a rise in sales by Rs 38.90 lakhs. This improvement has been achieved in spite of increases in the prices of raw materials and stores, wages, fuel and power, etc. The production of cone winders in collaboration with a Japanese firm is now put in the market.

Indian Oil Corporation Limited

Speech of the Chairman, Shri P A Gopalakrishnan, ICS,

Another Year of Progress and Achievement

THE following is the speech of Shri P A Gopalakrishnan I C S, Chairman, Indian Oil Corporation at the Annual General Meeting of the Corporation held on November 24, 1964.

Gentlemen,

The Balance Sheet and Profit and Loss Statement of the Indian Oil Company are in front of you for your ratification. These documents throw a flood of light on the transactions of the Company but I shall confine myself in this statement only to certain salient features.

Sales

1. The sale of oil products has gone up to 1.17 million kilolitres as against 6,29,639 kilolitres in 1962-63. The sale of Petroleum Coke was 11,498 metric tons in 1962-63 but it is 26,488 in 1963-64.

Operational Cost

2. The operational cost per kilolitre has come down to Rs 29.21 as against Rs 30.16 in 1962-63 and Rs 31.68 in 1961-62.

Profits

3. The profit before taxation is Rs 104.77 lakhs as against Rs 62.41 lakhs in the previous year. The return on equity capital is 21.1% as against slightly less than 20% in the previous year.

Unavoidable Expenditure

4. The profit would have been very much higher but for two important items of expenditure which the Company had to bear. One is the under recovery of railway freight of Rs 55.77 lakhs on account of the location of the Gauhati Refinery. Government have fixed ceiling selling prices for all oil products on the basis of import parity and companies are allowed to charge only upto these ceiling prices plus freight to the consuming point from the relevant port.

Since many of the consuming points are situated farther away from Gauhati than from the port, the Indian Oil Company had to bear the excess railway freight which it could not recover from the consumers. Burmah Oil Company's share of this unrecovered freight has been taken as Rs 19 lakhs in our accounts as approximately this amount is due to us from them.

The second item of expenditure is the under recovery of Central Sales Tax amounting to Rs 26.92 lakhs. This is collected at the rate of 2% on sales outside Assam but accrues to the State Government, as it has not exempted inter-company transactions on oil products from sales tax as some other State Governments have done. The State Governments who have exempted such inter-company transactions from sales tax are Maharashtra and Andhra Pradesh. Kerala has also agreed to grant this exemption.

A word of explanation is necessary in respect of both the items. They refer to all the Gauhati products sold by the Indian Oil Company either to consumers or to other oil companies. The latter have refused to pay their share of the under-recovery of freight as well as of central sales tax, on the ground that these are not recoverable from the consumer and they are allowed to sell products only at the ceiling selling prices fixed by the Government on the basis of import parity. References have been made to Government on these two matters for the last two years but to no effect. The Company had therefore no alternative but show these amounts as reductions from the profit made.

In spite of the two serious handicaps mentioned above, the Indian Oil Company has made a hand-some profit in 1963-64 and the net profit (after taxation) gives a return on equity capital of 16.8%.

Increased Tankage

The increase in sales has been made possible because the Company increased its tankages at installations and depots and built many new depots during 1963-64. The facilities of the Company have grown enormously and it can tackle a sale of more than two million kilolitres at the present time.

Merger

By an order of the Government, the Indian Refineries merged with the Indian Oil Company on 1st September 1964 and now the combined organisation is known as the Indian Oil Corporation Limited.

The Indian Refineries include the refinery at Gauhati and the one which has now gone on stream in Barauni. The third refinery at Koyali in Gujarat which is under construction by the Oil & Natural Gas Commission will also merge with the Indian Oil Corporation shortly.

The Corporation has at present two divisions, the Refineries Division and the Marketing Division. It will have two more divisions in future, the Pipelines Division and the Petro Chemical Division.

As I have already mentioned more than once in the statements that I have made before, this Corporation is likely to become the biggest oil organisation in the country in six or seven years.

Finally I thank all the Directors of the Board for their co-operation and advice and thank all those officers and staff who have worked hard to make the year successful.

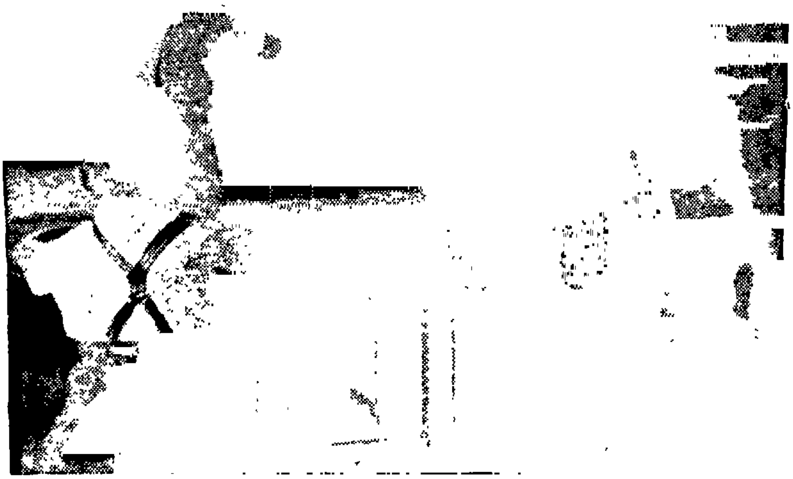
Note: The above does not purport to be a report of the proceedings of the Annual General Meeting.

Bombay, 24th November 1964.

Hingir-Rampur Coal

TOTAL coal raisings and sales of Hingir-Rampur Coal were higher during the year ended June 30, 1964 at 188,920 tonnes (180,476 tonnes) and 174,273 tonnes (165,928 tonnes) respectively. With the installation of new equipment imported under the World Bank loan, raisings are expected to show further increase during the current year. The controlled prices of steam and slack coals have been revised by Government to enable colliery owners to meet the additional costs implied in the Das Gupta labour award.

The accounts for the year showed, after providing Rs 2.21 lakhs (Rs 1.66 lakhs) for depreciation, and Rs 1.29 lakhs (Rs 29,316) for development rebate reserve, a profit of Rs 2.56 lakhs (Rs 1.42 lakhs) almost the whole of which was transferred to Dividend Reserve from which dividends at 5.85 per cent on pref and 10 per cent on ordinary shares have been declared to absorb Rs 1.67 lakhs (Rs 1.43 lakhs).



THE LESSON

The alphabet...then the word...then the sentence...

The delicate process of educating the young. Everywhere massive plans are under way—in education and in other fields as well. Public health, agriculture, engineering, housing, to name a few. A vast programme is on to improve the living standards of our millions.

LIC *is very much a part of this programme.* It invests nearly 3 million rupees a day in various economic spheres. Remember, when you insure or are already a policy-holder, *your premiums are helping in two ways.* Firstly, in protecting yourself and your family, and secondly in helping to improve economic conditions for the country at large.

Some LIC Investments at a glance

Cement	Rs. 628 lakhs
Cotton textiles	Rs. 1,216 lakhs
Electricity	Rs. 985 lakhs
Iron & Steel	Rs. 998 lakhs
Food, drink & tobacco	Rs. 128 lakhs
Government Securities (Central, State, Municipal & other approved securities)	Rs. 44,924.49 lakhs

LIC—YOUR COMPANION IN PROGRESS

ASP/LIC/PR I

Around Bombay Markets

Dalal Street Slightly Steadier

Thursday, Morning

DALAL STREET last week struggled hard to present a steadier appearance. While it did manage to keep above the previous week's low—the lowest in the recent decline and only a little higher than the year's low—it encountered considerable difficulty in pushing its way up. The market faltered at almost every step. Net changes over the week were of a minor character and the price pattern was mixed. Except for rumours about possible devaluation of the pound sterling and the announcement of a two per cent increase in the British Bank Rate which sent a mild tremor through the market, the week's news was not encouraging. The Indo-Soviet trade agreement envisages a substantial increase in the trade next year. The U K has assured India of all the necessary assistance for the defence build-up. The Life Insurance Corporation and the Unit Trust were reported to have made moderate purchases during the week. All this helped to impart some steadiness to the market. But the small rally that materialised during the week could have come about even without any outside factors because the technical position of the market had been greatly strengthened by persistent bull liquidation over the past few weeks.

In spite of the fact that the market has come down very close to its 1964 low, there is little inclination on the part of stock exchange operators to go long even though the corporate news remains fairly encouraging and the technical position of the market looks quite sound. This is because confidence has been rudely shaken. Activity in cash shares has dwindled to a trickle and several scrips, which once commanded fancy premiums, are available at huge discounts. The capital market is in an awfully bad shape. A delegation of leading industrialists is scheduled to meet the Prime Minister on November 26 to discuss the continuing slump in the capital market, which, if allowed to go on for more time, is likely to hamper the growth of private industry. It is difficult to say how the stock market will behave in the near future. No significant improvement in equity prices seems likely unless the Government takes some positive measures to tone up the capital market. Equity prices look quite cheap at present but the fear persists that the cheap might soon become cheaper still.

Oilseeds

F M C Intervenes

OILSEEDS futures established new highs last week. Castorseed March were bid up to Rs 191.50 (per 250 kgs)—a record high for many years. Linseed March advanced to Rs 45.50 (per 50 kgs) and cottonseed January rose to Rs 115 (per 250 kgs). Groundnut January were marked up to Rs 102.75 (per 100 kgs). It all happened in kerb dealings. The market had only two official sessions last week—one on November 19 and the other on November 25. Trading on other days remained suspended as the market authorities kept busy resolving a deadlock resulting from the steep rise in prices. Official trading was resumed on November 25 after the Board of the Bombay Oilseeds and Oils Exchange had accepted the Forward Markets Commission's proposal regarding stiffer margins for groundnut and groundnut oil and the Commission had approved the ceilings for castor and linseed suggested by the exchange.

According to the new rules, Groundnut January contract will attract a heavy margin of Rs 40 per 100 kgs whenever the price rises above Rs 103 and groundnut oil will attract margin at the rate of Rs 8 per 10 kgs when its price rises above Rs 20.60. The facility of free limit will be done away with when these margins become operative. In respect of castorseed March and linseed March, the exchange has fixed a ceiling of Rs 190 and Rs 45 respectively until the end of January when the situation will be reviewed again. There already exists a ceiling of Rs 118 in respect of cottonseed.

While the Commission has done well in prescribing penal margins in respect of groundnut and groundnut oil without any facility of free limit which had been grossly abused, it is difficult to appreciate why trading in castor, linseed and cottonseed should be subjected to a ceiling when there exists no such ceiling for groundnut. Whether three is any sense in having ceilings in respect of hedge contracts when there is no control over spot prices is a debatable point. But there seems no logic in treating groundnut differently from other oilseeds in respect of ceilings. If ceilings serve any useful purpose then groundnut should be the first to come under the ceiling because it is groundnut which really sets the tune for the rest of the market.

Inquiries with the trade indicate that speculation in oilseeds has assumed very large proportions. Deprived of their normal activity, several traders hitherto engaged in the foodgrains business are reported to be taking keen interest in the oilseeds market. Their activities are not confined to the futures market; they are investing considerable sums of money in ready oilseeds business. The tendency to hold goods at the up-country level has been increasing with growing inflationary pressures which have seriously eroded the value of money. This tendency has been further helped by the recent search for unaccounted money. There also seems some substance in the view that surplus funds with agriculturists which used to be invested in gold and silver are now being employed in stocking farm produce.

The supply position of oilseeds this season being more comfortable than in the previous season, it should be possible to keep prices down to reasonable levels provided the authorities are able to check holding and hoarding of stocks which is possible only if the administration is efficient as well as honest. Activity in futures markets should be discouraged in every possible way. The supply of credit to the co-operative sector should be carefully regulated in order to check holding of stocks at the up-country end. Vanaspati prices should be more strictly controlled than at present. And above all, the Government must firmly declare that it has no intention of allowing export of groundnut oil this season. The loss of foreign exchange resulting from the ban on export of groundnut oil can be made good by the export of extractions and other less important oils. The Gujarat Government's decision permitting unrestricted export of groundnut and groundnut oil with effect from November 26 is welcome. This will help remove the existing wide disparity in prices between Gujarat and Maharashtra. As the flow

of groundnut and groundnut oil from Gujarat increases it will have a significant impact on local prices in course of time after the more pressing needs have been well-satisfied.

Export houses reported fairly good business in groundnut extractions and cottonseed cake. Linseed extractions also evoked some inquiry. Oils continued to be neglected. Considerable business is reported to have been put through with Communist countries in groundnut HPS--all subject to the issue of export licences.

Money Market

Thursday morning

THE inter-bank call money rate continued unchanged at one per cent this week. The rate has been stagnant for the last over one week. This evidently reflects the plethora of funds with banks in excess of current demands. Though during the fortnight ended November 6, bank credit rose by about Rs 17.50 crores, there was no follow-up later on. For the week ended November 13, bank credit stood lower by Rs 69 lakhs, while at the same time, banks had an accretion of Rs 5.95 crores to their deposits. A part of their cash and balances with Reserve Bank has been even utilised to invest in Government securities which swelled by Rs 6.64 crores. Borrowings from the Reserve Bank were also reduced by Rs 2.77 crores to Rs 2.28 crores. That the demand for funds from borrowing corners has not stepped up since then and till now can be taken for granted from the larger flow of funds towards Treasury Bills during the weeks ended November 17 and November 24 even to the extent of bringing down the discount rate from 2.500 per cent to 2.360 per cent. Tenders attracted Rs 6.05 crores against Rs 4 crores invited during the last fortnight and Intermediates sold aggregated Rs 27.82 crores, during the same period.

In Calcutta, however, a freakish demand suddenly sprang up and raised the call rate to 4.5 per cent on Tuesday last, but the rise was short-lived as by Wednesday the rate dipped to 2.5 per cent with prospects of a further fall. The money market in Madras continued quite comfortable with no dearth of funds and borrowers could obtain their requirements even at less than one per cent.

The continued easiness in the market after the close of the official slack season bears out that busy season activities have not yet commenced in right earnest, though banks appear to be already well prepared to face it *squarely at least for the present. The recent increase* in deposit rates might *help them to attract larger deposits* during the season while at the same time increase in advance rates might tend to restrict demand to essential needs. The hoisting up of the UK Bank Rate from 5 per cent to 7 per cent might well diminish the flow of funds from that end to the Exchange banks here, and to that extent the overall available supply of funds might contract; but to what extent this shortage will cause stringency in the market will depend upon the overall demand ensuing during the current season. According to informed circles, incentives to large-scale borrowings may lack during the current season at the prevailing rate of interest, and return flow of funds from sources which are already indebted may be expected to increase. There appears to be no reason therefore to anticipate any jolts or convulsions in the money market during the current busy season despite the overall restricted policy of the Bankers' Bank.

Reserve Bank's Statement for the week ended November 20, indicates that the busy season's demand has not so far picked up. The return flow of active notes which expanded by Rs 70.31 crores during the week ended November 6 to meet Diwali and other

The
United Commercial Bank Limited

Head Office: 2, India Exchange Place, Calcutta-1

I. P. Goenka

CHAIRMAN

AUTHORISED CAPITAL	...	Rs. 8,00,00,000
SUBSCRIBED CAPITAL	...	Rs. 5,60,00,000
PAID-UP CAPITAL	...	Rs. 2,79,99,250
RESERVE FUND & OTHER RESERVES	...	Rs. 3,20,00,000

BRANCHES

In India	... In all Cities and Towns of Commercial and Industrial Importance.
In Pakistan	... Karachi
In Malaysia	... Penang, Kuala Lumpur, Klang, Raffles Place and Serangoon Road in SINGAPORE
In United Kingdom	... London
Also at	... Hong Kong and Kowloon
Agents	... Throughout the World

BUSINESS AND SERVICE

The Bank receives deposits, gives advances against approved securities, purchases bills, sells drafts and telegraphic transfers and transacts all types of Foreign Exchange Business. Through its internal net-work of branches and world-wide business arrangements it provides every kind of Banking service.

R. B. Shah
General Manager

special requirements still continues. During the week, Notes in Circulation contracted by Rs 27.79 crores in addition to the contraction of Rs 6.86 crores in the previous week, and Notes in the Banking Department by Rs 5.42 crores and therefore Notes Issue has been reduced by an aggregate amount of Rs 33.21 crores. This has been followed by an inflow of Rupee coins amounting to Rs 1.79 crores with the result that Rupee securities of Rs 35.00 crores have been released by the Issue Department. This is not however reflected by an increase in investments in the Banking Department which on the contrary shows a fall of Rs 3.48 crores in investments. But Treasury Bills held are more by Rs 20.28 crores. Foreign balances are less by Rs 71 lakhs reducing foreign assets to Rs 94.89 crores.

Central Government's deposits are lower by Rs 88 lakhs and those of State Governments by Rs 62 lakhs, and at the same time their borrowings are higher by Rs 1.75 crores. Scheduled banks' borrowings are marginally higher by Rs 45 lakhs against an increase in their balances with the Reserve Bank by Rs 5.71 crores.

Business Note

Indian Hume Pipe

INDIAN Hume Pipe has recorded satisfactory progress during the year ended June 30, 1964. It opened three new factories at Palghat, Kothavalasa and Bagalkot bringing the total number to 60, all of which are stated to be working satisfactorily. The prestressed concrete pipe division of the Company has secured a large contract for supply and laying of pipe lines for the Jhansi Babina water supply scheme in M P. The penstock division has made satisfactory progress in the supply of penstock for Sharavathy Project and Bhira Works, and the work for the Second stage of the Koyna project is nearing completion.

The Company has secured outright patent rights in India from No-joint Concrete Pipe Co of U S A for the process of manufacturing continuous concrete pipe line. The Government has approved the Company's proposal to establish a R C C Hume Pipe factory at Benghazi (Libya) and the Company has taken steps to register a branch in that country for starting business.

The working of the Company during the year ended June 30, 1964 recorded satisfactory improvement. Sales of products shot up from Rs 299.87 lakhs to Rs 374.75 lakhs. Profit before taxation, after providing for depreciation and development rebate, was more than doubled at Rs 67.27 lakhs (Rs 30.88 lakhs). But provision for taxation absorbed sizably more at Rs 40.00 lakhs (Rs 15.50 lakhs). Still the balance of profit stood higher at Rs 27.27 lakhs as against Rs 15.38 lakhs. Allocations from profits were made for Rs 27 lakhs as follows: Rehabilitation Reserve Rs 6 lakhs (Rs 1.47 lakhs); General Reserve Rs 11.00 lakhs (Rs 4.00 lakhs); Dividend Equalisation Reserve Rs 2.50 lakhs (Rs 11 lakhs); Contingency Reserve Rs 5.00 lakhs (nil); Debenture Redemption Reserve Rs 2.50 lakhs (nil). Equity dividend at 15 per cent (14 per cent) and Pref dividend at 5 per cent requiring Rs 9.00 lakhs and Rs 2.50 lakhs respectively will be paid out of General Reserve No II which has to its credit Rs 17.98 lakhs.

"Someone should tell him about State Bank Travellers Cheques!"

Armed guards can cost a lot of money. Why not carry all the cash you want in the form of State Bank Travellers Cheques? They're absolutely safe, and much more convenient.

The State Bank of India issues its own Rupee Travellers Cheques in denominations of Rs. 50/- and Rs. 100/-. These can be cashed at any of the 1700 Offices of the State Bank of India and its Subsidiaries. They are also encashable at encashing Agents at airports, and hotels and shops; in India and abroad. They're good anywhere, anytime, even after banking hours.

No irksome formalities. No risk. If lost, these cheques can easily be replaced.

Don't take risks.
Take State Bank Travellers Cheques.

STATE BANK OF INDIA

Aiyars SB, D



CURRENT STATISTICS

National Income of Pakistan

(In million rupees)

	1949-50	*1953-51*	*1954-55*	*1955-56*	*1956-57*	*1957-58*	*1958-59*	1959-60	1960-61	1961-62	1962-63
Agriculture	*10,938*	*11,835*	*11,591*	*11,030*	*11,820*	*11,581*	*11,438*	11,980	12,303	13,040	12,735
Major crops	*6,208*	*6,733*	*6,434*	*6,095*	*6,860*	*6,646*	*6,611*	*7,121*	*7,453*	*7,981*	7,583
Minor crops	1,785	1,903	1,833	1,697	1,707	1,721	1,552	1,575	1,654	1,679	1,705
Livestock	2,364	2,519	2,535	2,548	2,561	2,524	2,587	2,583	2,475	2,638	2,681
Fishing	563	662	771	675	675	674	671	685	704	725	749
Forestry	18	18	18	15	17	16	17	16	17	17	17
Mining & Quarrying	20	33	33	36	40	44	48	52	61	65	73
Manufacturing	1,314	1,926	2,200	2,423	2,575	2,694	2,866	3,040	3,197	3,444	3,649
Large -scale	313	817	1,061	1,252	1,373	1,460	1,599	1,738	1,860	2,069	2,238
Small-scale	1.001	1,109	1,139	1,171	1,202	1,234	1,267	1,302	1,337	1,375	1,411
Construction	252	205	278	281	340	400	425	486	563	661	748
Electricity, gas, water and sanitary services	27	34	41	41	44	44	49	52	56	68	77
Transportation, storage and communications	569	644	673	685	721	744	796	808	838	863	887
Wholesale & retail trade	1,676	1,884	1,888	1,843	1,972	1,956	1,960	2,059	2,126	2,261	2,258
Banking & Insurance	48	68	77	85	91	90	106	113	133	150	170
Ownership & dwellings	886	987	1,014	1,045	1,074	1,107	1,142	1,178	1,216	1,257	1,301
Public administration & defence	858	1,023	1,116	1,088	1,056	1,022	1,130	1,022	1,083	1,111	1,214
Services	1,331	1,538	1,441	1,555	1,654	1,797	1,908	1,966	2,002	2,049	2,140
Net Domestic product at factor cost	17,919	20,177	20,352	20,112	21,387	21,479	21,868	22,756	23,578	24,969	25,252
Net factor income from rest of the world	10	-	—9	—26	—12	—8	+10	—18	—19	—13	—21
National Income	17,509	20,177	20,343	20,086	21,375	21,471	21,858	22,738	23,559	24,956	25,231
Population (In million)	74.65	82.32	83.79	85.24	86.77	88.42	90.13	91.90	93.72	95.61	97.57
Per Capita income Rs.	240	245	243	236	246	243	243	247	251	261	259

PAKISTAN: PRODUCTION OF PRINCIPAL CROPS

('000 tons; year beginning July 1)

	1949-50	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64
Rice (cleaned)	8,169	8,415	7,212	9,016	8,460	7,897	9,461	10,533	10,575	9,808	11,629
Wheat	3,885	3,162	3,339	3,604	3,530	3,870	3,876	3,786	4,002	4,148	4,014
Bajra	370	348	340	363	274	309	324	301	364	416	356
Jowar	267	220	249	255	183	212	229	218	245	248	234
Maize	404	428	453	464	442	482	480	439	487	480	522
Barley	163	122	143	130	169	172	149	135	132	143	122
TOTAL FOODGRAINS	13,258	12,695	11,736	13,832	13,058	12,942	14,519	15,412	15,805	15,243	16,877
Gram	651	656	732	716	688	606	627	636	650	705	718
TOTAL FOOD CROPS	13,909	13,351	12,468	14,548	13,746	13,548	15,146	16,048	16,455	15,948	17,595
Sugarcane	10,801	12,451	12,045	12,717	14,881	16,126	14,105	15,412	18,548	22,897	21,248
Rape & mustard	228	321	324	315	296	373	318	308	305	357	297
Cotton (Lint)	220	280	296	302	301	281	290	299	322	363	415
Jute	595	832	1,161	985	1,107	1,071	992	796	1,244	1,125	1,071
Tea	17	25	23	23	20	24	25	19	26	23	25
Tobacco	66	125	88	86	90	99	88	84	100	100	95
TOTAL CASH CROPS	11,927	14,037	13,937	14,128	16,695	17,974	15,818	16,918	20,545	24,865	23,151
TOTAL PRINCIPAL CROPS	25,836	27,388	26,405	28,976	30,441	31,522	30,962	32,966	37,000	40,813	40,746

PAKISTAN: PRODUCTION OF SELECTED INDUSTRIAL GOODS

Year	Cotton Cloth (million yds)	Cotton yarn (Million lbs)	Jute manufactures (thousand tons)	Cement (thousand tons)	Sugar (thousand tons)	Cigatettes (million nos)	Tyres & tubes (thousand nos)	Hydrogenated vegetable oil (thousand tons)
1949	92.4	33.9	—	422	38.6	241	13	2.5
1957	527.0	315.9	148.8	1,078	111.5	6,481	2,651	18.0
1958	576.2	345.1	172.1	1,072	162.6	7,468	2,705	20.4
1959	618.5	392.1	232.6	986	167.2	8,771	2,778	27.1
1960	628.8	408.7	264.7	1,120	145.4	9,946	2,951	34.3
1961	699.0	412.6	250.4	1,223	123.4	12,065	3,982	45.2
1962	725.2	432.2	286.4	1,373	190.8	13,696	4,590	62.7
1963	730.8	471.6	315.2	1,474	243.0	16,172	4,651	77.1

BANKING RETURNS

(Rs crores)

Reserve Bank	Nov 20	Nov 13	Oct 23	Nov 22, '63
1 Note circulation	2432.94	2460.73	2409.29	2275.59
2 Rupee coins	103.79	103.00	106.72	119.34
3 Deposits				
(a) Central Govt	50.84	51.72	83.45	73.05
(b) Other Govts	6.49	7.11	12.59	11.62
(c) Banks	104.58	99.07	104.12	87.43
(d) Others	144.50	145.45	137.99	165.53
4 Foreign securities	85.46	85.46	85.46	92.46
5 Balance abroad	9.43	10.14	8.76	10.34
6 Rupee securities	2146.13	2181.13	2121.17	1959.31
7 Investments	120.77	124.25	107.01	273.30
8 Loans and Advances to Govts	67.73	65.98	73.19	58.30
9 Other loans and advances	166.27	169.51	164.12	139.63

Scheduled Banks	Nov 13	Nov 16	Oct 16	Nov 22, '63
1 Aggregate				
Deposits (net)	2523.58	2517.64	2510.79	2230.94
Demand (net)	1196.44	1193.91	1173.29	970.42
Time (net)	1327.15	1323.73	1337.55	1260.52
2 Cash in Hand	70.31	73.40	65.91	53.86
3 Balance with Reserve Bank	96.94	99.86	104.46	92.82
4 (2)+(3) as % of (1)	6.62	6.88	6.79	6.57
5 Borrowings from Reserve Bank	2.28	5.05	4.18	2.25
(a) Against usance bills and/or promissory notes	-	0.15	1.78	0.17
(b) Others	2.28	4.90	2.40	2.08
6 Advances	1457.34	1455.62	1459.58	1244.05
(a) State Bank	321.80	322.89	311.55	239.60
(b) Others	1135.54	1132.73	1148.03	1004.45
7 Bills discounted				
(a) Inland	185.94	187.45	182.74	181.19
(b) Foreign	76.43	77.32	73.48	58.22
(c) Total	262.37	267.77	256.22	239.41
(i) State Bank	22.23	21.83	17.46	18.69
(ii) Others	240.14	242.94	238.46	220.72
8 (6)+(7) as % of (1)	68.15	68.33	68.34	66.49
9 Investment in Govt Securities	819.58	812.94	817.64	763.26
10 (9) as % of (1)	32.48	32.29	32.57	34.21

BOMBAY MONEY RATES

(per cent)

	Nov 13	Nov 16	Oct 16	Nov 22, '63
Call money from Banks	—	—	2.36	1.83
Deposits				
Fourteen days	—	—	—	—
Ninetyone days	4.00	4.00	4.00	—
Six months	4.50	4.50	4.50	3.75

PAKISTAN : BALANCE OF TRADE

(In Million Rupees)

Year	Exports	Imports	Balance plus-minus
1949-50	1,194.1	1,297.1	−103.6
1954-55	1,223.0	1,103.3	+119.7
1955-56	1,783.7	1,325.1	+458.6
1956-57	1,607.6	2,334.6	—727.0
1957-58	1,421.7	2,050.0	−628.3
1958-59	1,325.3	1,578.4	−253.1
1959-60	1,842.7	2,461.0	−618.3
1960-61	1,799.4	3,187.6	−1388.2
1961-62	1,843.4	3,109.1	−1265.7
1962-63	2,033.7	3,818.8	−1785.1

Source: 'Pakistan—basic facts'. Ministry of Information and Broadcasting, Govt. of Pakistan.

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

Group and sub-Group	WEEK ENDING 31-10-64	24-10-64	31-10-64	2-11-63
Food Articles	*165.6*	*165.4*	*172.4*	*139.4*
Cereals	146.5	145.6	151.9	118.2
Pulses	179.9	174.9	188.7	115.6
Fruits & Vegetables	181.7	183.1	187.3	129.8
Milk & Ghee	147.1	146.8	145.7	127.1
Edible Oils	203.0	199.2	233.6	151.0
Fish, Eggs & Meat	159.5	160.2	166.3	151.3
Sugar & Gur	201.5	201.9	212.5	214.7
Others	183.7	191.4	182.0	178.7
Liquor and Tobacco	133.5	132.6	132.6	118.4
Tobacco	131.4	130.4	130.4	115.5
Fuel, Power, Light & Lubricants	*144.8*	*144.8*	*144.5*	*139.5*
Industrial Raw Materials	*162.0*	*163.4*	*165.3*	*137.9*
Fibres	144.6	145.3	144.9	132.4
Oilseeds	196.0	198.8	204.0	149.7
Minerals	103.2	103.7	103.7	91.6
Others	131.9	135 2	135.2	129.0
Manufactures	*137.8*	*138.0*	*138.0*	*130.7*
Intermediate Products	*152.5*	*152.3*	*152.7*	*138.5*
Finished Products	*135.4*	*135.6*	*135.5*	*129.4*
Textile	133.5	133.7	133.8	127.2
Cotton	136.8	136.7	136.7	135.6
Jute	122.6	123.9	123.5	98.9
Woollen	169.2	169.2	169.2	160.2
Silk & Rayon	132.0	132.0	133.7	137.3
Metal Products	*169.5*	*169.5*	*169.5*	*163.7*
Chemicals	120.9	120.9	120.5	117.9
Oilcakes	202.2	205.9	202.8	162.9
Machinery & Transport Equipment	127.2	127.2	127.1	124.2
Others	127.8	127.8	127.7	128.9
All Commodities	*155.7*	*155.8*	*159.7*	*136.2*

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Engineering for Bokaro

WHEN the Third Plan was only in the offing and sights still remained to be set about its magnitude and even the broad outlines were to be drawn, it had been brought home by the limited experience of building up industry that planning and designing of industrial plants, which were a highly skilled and specialised job, had to be developed within the country and that this objective had to be assigned a central place in planning further industrial development. In the Annual Number of January 1960, a contributor made bold to say that:

> "Indian industry has followed a strictly colonial pattern—to import complete ready-made industrial plants to process indigenous raw materials therewith...The reason for this situation is that the planning and designing of industrial plants is a highly skilled and specialised job, and there is no tradition for such work in the country. But this tradition must be built up if India is to develop. No country can become industrially viable if it has to import all the plant and equipment that it requires. And no country can fabricate its requirement of machinery without a tradition of engineering drawing and design work. That tradition today is just not there."

The need for developing Indian designing and consultancy services in engineering came to be felt pretty widely at the time. It was voiced by Pandit Nehru when he said: "We have to produce not only machines that are to be used, we want men who will design machines and improve them". The cue was taken up by JRD Tata, who announced the setting up of a designing centre at the Indian Science Institute in Bangalore at about the same time. And with the beginning of the Third Plan, first efforts began to be made in initiating designing and construction organisations in the public sector. Some of these have come up to a level to be able to deliver the goods. The Fertiliser Corporation has a set-up today which is capable of undertaking a large part of the designing of new fertiliser plants. The designing bureau of Hindustan Steel has undertaken successfully the expansion of two of the public sector steel plants—not three as stated by the Minister of Steel in the Rajya Sabha earlier this week—at Durgapur and Rourkela. In the first phase of expansion now under way, Hindustan Steel insisted on and succeeded in using their own designing bureau in both, but not so, however, in the expansion of Bhilai.

The most outstanding achievement in designing and consultancy services, however, is a concern which is technically in the private sector, Dastur and Co, but which has been engaged almost wholly on public sector projects. This organisation, in an incredibly short period of time, has attained immense stature and has gained recognition by the top international standards. It was indeed a high tribute to and recognition for Indian technical expertise that a Pakistan steel mill, financed by the American Export-Import Bank and with the equity participation by an American steel company, should engage Dastur and Co along with an American firm as consultants.

The feather in Dastur and Co's cap was, however, the award to them of the engineering project for Bokaro; this later turned into a crown of thorns. A year ago the then Steel Minister, C Subramaniam, announced on the floor of the Lok Sabha that the complete design, engineering and supervision of construction of the Bokaro project had been awarded by

attacked was to put an end to the barbaric punishments which were still meted out — the gouging out of eyes, the pulling out of tongues and other revolting mutilations. The only secular schools in Tibet are those started by the Chinese; the only hospitals are those which the Chinese established after 1951. Land, most of it held by the monasteries, was divided among the serfs . .

"For the upper classes — the theocracy and the landlords — the coming of the Chinese was a calamity, the end of centuries of privilege. Some of them found they were even expected to *work!* It was then outraged cries that we heard in the West. That this minority suffered is not to be denied. But who is to say, here as elsewhere in the world, where the ultimate balance lies?"

"A Curtain of Ignorance" is written with a definite purpose to show how the American public has been misinformed about China. This makes the book particularly relevant for us in India who are right now engaged in putting up our own curtain of ignorance.

Even if we decide to ignore the real situation in Tibet, the decision to support Western resolutions on Tibet in the UN has little to commend itself as a piece of political opportunism and may well boomerang. India, let it not be forgotten, was the country which signed the agreement with China making Tibet a part of China. Any attempt by us now to drag the internal affairs of China into debate in the UN will be only too readily made an excuse by countries, whom it is not difficult to name, to raise debates over, say, Kashmir or Nagaland. This is a prospect which the Government cannot lightly dismiss.

Paying for Peace-Keeping

WITH the United States and the Soviet Union as the principal antagonists it was not surprising that the dispute over UN peace-keeping dues assumed from the outset the familiar features of a cold war wrangle. The US, in particular, has made a notable contribution to the art of political arm-twisting as practised in the UN by withholding her contribution to UN technical assistance funds. The implied threat to the General Assembly's majority of poorer developing countries was clear: either support the US move to deny the Soviet Union voting rights under Article 19 of the UN Charter for non-payment of dues or face the prospect of a deep cut in UN technical aid.

But whatever the form of the dispute, its content is of great significance —and from a much broader standpoint than that of the cold war. In its essence, the dispute concerns the b character of the UN and its activit

The US is perfectly right, in pri ple, to claim that the actions of UN, including its peace-keeping op tions, are the collective responsibi of all members. Members cannot (

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sociate themselves from specific activities and on that ground refuse to bear their share of expenses. This was also the opinion of the International Court to which the General Assembly referred the matter in 1961, and which ruled that the expenses of operations in the Congo and on the Egypt-Israel border were "expenses of the organisation" under Article 17 (2) of the Charter and so all members were obliged to bear them as apportioned by the General Assembly. The Soviet stand that only the Security Council can lay down the procedure for financing peace-keeping operations is legalistic and does not evoke much sympathy even among the non-aligned members who have every reason to welcome the shift of the centre of authority in the UN from the Security Council to the General Assembly.

It has been suggested as a compromise solution that a special fund should be set up into which all peace-keeping dues outstanding at present should be paid. This suggestion, put forward as a face-saver for the Soviet Union, can be carried further. The UN should have a general fund to finance its peace-keeping activities to which all members would contribute. The Secretary-General would draw on this fund to finance actions sanctioned by the General Assembly or the Security Council. This would put an end to the vexations of assessing and apportioning the costs of every operation separately and prevent the type of ludicrous situation which developed during the recent crisis in Cyprus when before the UN could take any action it had to go about with the begging bowl for *ad hoc* voluntary contributions. A permanent consolidated fund to which all members would make annual contributions to finance all of UN's peace-keeping activities would carry the principle of collective responsibility to its logical—and idealistic—conclusion.

The sad fact, however, is that in the UN as it is at present constituted and as it works, it is impossible to give practical shape to collective responsibility through some proposal such as the one mentioned above. Collective responsibility presupposes roughly equal weight and voice to all members in formulating the organisation's decisions and directing their execution. There can be no room for privilege, either formal or informal. Unfortunately, it is privilege which still constitutes the basis of the UN, the vast expansion of membership notwithstanding. Ten years ago the United States could conduct a war to preserve American interests in Korea under the UN flag; more recently, she could still exercise enough control over UN operations in the Congo to use them to set up a pro-American Government in the country. As long as it continues to be possible to subvert the UN for national purposes, crises such as the present one will recur and it will be meaningless to harp on collective responsibility to condemn this country or that.

But can this be otherwise, given the vast disparities in economic and political power among members and their unequal share in UN finances? Ultimately, he who pays the piper will call the tune. Equality, though the ideal, may never be achieved. But there still remains much scope for action to reduce overbearing influence and privilege, formal and informal, which is both practical and consistent with differences in economic and political power of members. The changes which have already taken place in recent years is proof of this. (Quite clearly, U Thant does not view the role and functions of the Secretary-General in the same light as Trygve Lie did). These changes, however, have been just enough to underscore the implications of collective responsibility but not enough to make it a fact yet.

An Agricultural Commission?

THE suggestion was made on last Monday by B R Sen, the Food and Agriculture Organisation's Director-General that a high level agricultural commission should be set up in India to supplement the work of the Planning Commission, the Ministries of Food and Agriculture and Community Development and Co-operation. The recommended duties of the proposed commission are divided into three parts which can be roughly summarised thus: first, an analysis of our food requirements up to the year 2000; second, an assessment of the effectiveness of the present measures for agricultural development; and third, the role of agriculture in India's economic development.

Do we need such a commission? That there is need for a major breakthrough in our agriculture is evident to everybody. But do we require for that purpose greater fact-gathering or, rather, better utilisation of the facts already known as well as more vigorous implementation of the programmes already formulated? Of course, it would be rash to assume that we already knew all the relevant facts about agriculture or that there is no need for research to discover newer measures for changing the character of agriculture. But the point is that the measures which have already been tried have *not* been proved ineffective; only their implementation has been half-hearted, sluggish and unimaginative and so no positive results have been produced.

We all know that the following measures are full of promise: increased use of fertilisers and pesticides by farmers; full utilisation of the newly-expanded irrigation facilities; price support for the major crops; and provision of cheap rural credit. Indeed Sen himself recommends some of these measures for improving agricultural performance. He has commented on the failure of the fertiliser industry, both in the public and private sectors, to keep to the time schedules laid down in the Third Plan.

What has been lacking is vigorous implementation of programmes which have been discussed, commented upon (by native as well as foreign experts) and approved. A number of observers have said that in spite of the wide awareness shown in spoken words of the basic importance of agriculture, the Ministries of Agriculture, both at Centre and in the States, enjoy little influence, and the members of the agricultural administration at the district and village levels display insufficient enthusiasm for the programmes which they have to implement. Something is needed to perk up our agricultural administration.

But Sen is apparently suggesting just another more-or-less advisory commission for agriculture. It may be argued that we need such a commission as well as more vigorous implementation. But for one thing such a commission may make the implementation of policies more sluggish because, by adding one more authority concerned with agriculture, it is likely to strengthen the disagreements and the lack of decisiveness at the top which are partly responsible for poor implementation. For another, at a time when the real need is for better implementation of known remedies, the appointment of such a commission will be as distractionist a measure as the appointment of a horde of other committees and panels to regurgitate policies and remedies which have already

been known for years. At his press conference, Sen himself mentioned that the "new" policy of the government to build up buffer stocks of foodgrains of about 5 to 6 million tons had been recommended by FAO way back in 1957.

More to the point than an advisory agricultural commission is a high-powered watchdog committee to review continually the implementation of agricultural programmes, and with the power to issue directives to agricultural ministries. Such a committee is bound to find its own ways of obtaining whatever new data and proposals it needs.

Civil Rights : Next Move

A correspondent writes:

FOR more than three months, the most important social movement in the United States has been dormant, concentrating its energies on defeating Goldwater's bid for the Presidency. Now that the Republicans have suffered a major setback, due in part to the Negro vote, the civil rights movement in America is preparing to launch a major campaign aimed at breaking the back of racial segregation. The Negro leaders and their white allies, led by Nobel prize winner, Rev Martin Luther King, Jr. are planning an assault on Southern intransigence and the remaining vestiges of racial segregation in the northern cities.

But despite impressive gains in recent years in the field of race relations, and the dramatic success of last year's Washington Civil Rights March which brought out 285,000 people in a massive demonstration, the civil rights movement faces major problems. According to a recent study by the University of Chicago's population research committee, racial segregation has actually increased during the past ten years, although certain key areas have seen improvement. The "white backlash", although unsuccessful at the polls, still has the ability to generate discontent among the white middle classes, who often feel themselves threatened by the Negro movement. But perhaps the most important problem is within the civil rights movement itself. A crisis in leadership has been shaping up for some months, and although Rev King's Nobel Prize will help him to remain at the helm of the movement, he is faced with substantial local opposition from younger, more militant elements.

In the movement, the doctrine of non-violence as a primary tactical weapon has come under strong attack. The summer riots in New York, Rochester, and other places, were used by those elements in the Negro community demanding more militant direct action. They are prepared to carry on the fight for equal rights by force, if necessary. The established leadership is also threatened by such groups as the Student non-Violent Co-ordinating Committee (SNCC), a southern-based militant Negro youth movement which seeks to greatly intensify the struggle, although through non-violent means.

Furthermore, the Negro masses in the North have become disillusioned with the slow progress of equality, and have either turned to the more militant sects, such as the anti-white Black Muslim organisation (which claims 100,000 members) or have left the movement altogether. It will be a major task to win these elements back to the mainstream of the civil rights movement. Indeed, upon the success of this task of involving the Negro masses depends the peace of America's major urban areas. For if resentment among urban Negroes goes unchecked and unguided, riots and aimless looting is the inevitable result.

In the past, the civil rights movement has aimed at "token" goals. It has succeeded in breaking down segregation in restaurants, for instance, but this is not a key factor in the lives of the Negroes. If the movement is to hold on to its present gains and move forward, it must now concentrate on the basic elements of racial segregation which remain essentially unaltered housing and employment. The few efforts to improve the Negro's employment position have been unsuccessful thus far, and the rate of unemployment among Negroes is still twice that of the general population. Housing, even in the Northern urban areas, still has an essentially segregated pattern.

The Negro leadership, led by Dr King's Southern Christian Leadership Conference, CORE, and the National Association for the Advancement of Coloured People, is now planning an assault on these bastions of segregation in America. Upon the success of this drive will depend the civil rights movement as well as the progress of democratic institutions in the country. In the coming months, cities and towns in north and south can expect major civil rights activity, culminating in massive direct action campaigns and economic boycotts.

Russian Ships Are Coming?

INTERNATIONAL merchant shipping, like the petroleum trade, has been living in uneasy anticipation of a Soviet 'invasion'. To be sure, the Soviet fleet is not yet of such a size as to threaten entrenched ship-owners and, besides, its almost sole concern has been with the fast-growing trade of the Soviet Union. But of late Soviet ships have certainly not been averse to picking up other cargo. Addressing a press conference in Bombay on Tuesday, an official of the Soviet ship-chartering organisation threw the suggestion that Indian exporters and importers should use Soviet ships outside the Indo-Soviet trade. Soviet ships, he said, could offer better services and more favourable terms than the existing lines.

There was, of course, no suggestion of a regular Soviet cargo service from India and so it is perhaps premature to speculate on the prospective relation between Soviet ships and the Conferences controlling the liner trade from India. But this issue has already been raised in other parts of the world. There have been reports, for instance, that the Russians intend to put one of their new passenger liners on the trans-Atlantic run, plying between Leningrad and Montreal. Will the Russians, who do not recognise any rate-fixing arrangements, seek to under-cut conference rates on this run? Ordinarily they have everything to gain from such a policy and so much would depend on the pressures that are brought to bear on them by the Governments of the countries whose ship-owners stand in danger of being under-cut. The extent of such pressure would depend, in turn, on the tonnage that the Russians put into operation. Should it rise to appreciable proportions then the pressure to agree to some rate-fixing arrangement may become difficult to resist. Clearly, the Russians do not ignore this possibility and have, therefore, taken care not to give the impression of being entirely opposed to the idea of shipping conferences.

Soviet shipping has had some impact on freight rates in another respect. Under the system of rate fixing in the Indo-Soviet trade, the shipowner does not pay for cargo handling at either end of the ship's run. This basis for rate fixing has found favour with other shipowners in the Indian trade, but has failed to be adopted outside the Indo-Soviet trade—in spite of a number of initiatives, including one recently by India—because of opposition from port authorities and forwarding agents.

Problems New and Old

Romesh Thapar

QUITE a lot has been happening. I am not going to say much about Prime Minister Shastri's visit to London. He leaves even as I write, in the middle of a session of Parliament, and will be back soon after these lines appear in print. He is anxious to brief the new leaders of Britain on India's attitude to various critical international questions, particularly questions concerning her borders. Prime Minister Wilson is due to visit President Johnson early next week; hence the effort to fit in a hurried meeting with Shastri in London. Meanwhile, Foreign Minister Swaran Singh at the United Nations will be trying to bring about a compromise settlement between the USSR and the USA on UN dues without getting embarrassingly involved in the very tense situation — or so Shastri hopes.

Developments in the former Belgian-held Congo territories have not made matters easier. African and Asian opinion, more pointedly the former, is incensed by the combined US-Belgian operation to rescue the 'white hostages' from the rebel capital. This action, in an indirect kind of way, has helped to strengthen support for the Soviet position on UN dues. Maybe, sooner than we think, the situation in South Viet Nam will call for new joint initiatives by the nuclear powers to contain the explosive situation in that area. In other words, one compromise may lead to another. Not a very healthy state of affairs, but such is the reality.

Of course, we are still groping around for a foreign policy, a haphazard search which has become more time-consuming since the nuclear explosion triggered by China. Impatience with Swaran Singh's casualness grows. Now, the idea is being propagated that he needs experienced assistants. Vijayalakshmi Pandit's name is mentioned. But who will persuade her to play the role of assistant? She has wider ambitions. The fact remains that we are without a policy, and no single person can evolve it. It is about time that a specialised committee of the Congress Party addressed itself to this task.

From all accounts, Congress chieftain Atulya Ghosh is clearing the decks to present himself as the clear-sighted policy-maker. His 'Little AICC' meeting in Ranchi, thoroughly disapproved by his colleagues in Delhi, including Kamaraj, was designed as a warning to those who imagine that he can be denied the presidentship of the ruling party in January. He has declared, with a certain amount of logic, that the popularisation of the anti-corruption cult is weakening administration in the States to a dangerous degree. It is a plea that the party toughs will approve of warmly. Having consolidated the kind of support he relishes, Atulya Ghosh plans other interventions in national policy-making. He can be more than a Kamaraj, for he plans to hold the presidentship right through until the election tickets are settled in 1966.

Nine Lives of Communalism

A great deal of trouble is pending within the Congress Party. It stems largely from Shastri's incapacity in dealing with the Congress chieftains in the States. He has a knack of intervening in situations where a bruised and battered leader has to be toppled, as in the Punjab, but does not quite know how to cope with more strongly entrenched elements. Probably, he is now persuading himself that he must work closely with Kamaraj if he wishes to push through even a minimum emergency policy on the food front. An alliance with Morarji Desai, mooted at one stage, has been given up. Morarjibhai is a polariser — and Shastri cannot work with polarisers.

The just-concluded National Democratic Convention in the Capital served to emphasise this and other facets of the present situation. A gathering organised mainly to counter the communal trends which have been developing in the Muslim community heard Morarji Desai deliver opinions not far removed from those of Hindu revanchists. Whether this performance was deliberate or an illustration of Desai's crude bluntness is not relevant. The truth is that those who argue that the lack of secularity is rooted in the existence of communalism among minorities are being dishonest. And such was the essence of Desai's argument.

Attempts to counter communalism fail because there is a reluctance to tackle fundamentals and to be specific about what needs to be done. Many of those who pontificate about secularism are silent about the obviously religious overtones which are entering official practice. The fact that the AIR indulges every morning in readings from *all* religious books does not make us secular, for increasingly the Hindu texts tend to dominate. The continued ban on beef eating at the State-run Asoka Hotel appears a minor aberration, but it is a flagrant repudiation of our secularity. Similarly, the business of filling in forms which invariably and out of context ask you to state your religion.

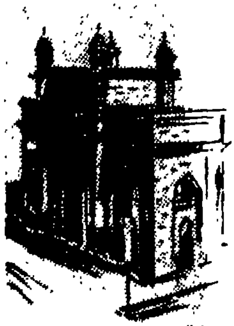
These minor matters breed the attitudes which for many determine employment opportunities, or the right to be heard sympathetically by the official who makes a demonstration of his aggressive caste marks. They are also the cause of the tortuous experience of having one's patriotism questioned in one emergency or another, as also of the evil consensus which encourages each community to safeguard its own interest before the national. That secular attitudes are skin-deep does not require underlining. But we do need to agitate for actions very much more consistent with our proclaimed ideals. The present self-satisfaction has to be pricked, and pricked rather brutally.

Somehow, the division between majorities and minorities must be ended. But how? Although we are very fond of maintaining that economic development will solve the problem, the experience of advanced societies is not very reassuring. Modernisation and development in our conditions might help, but, clearly, no real change will take place until the drive for integration embodies a deep respect for the differences in others—an aspect which is much neglected even though we are a multi-communal State. As a first step, we could move to make religion and religious ritual a strictly private matter. This in itself would be a great reform.

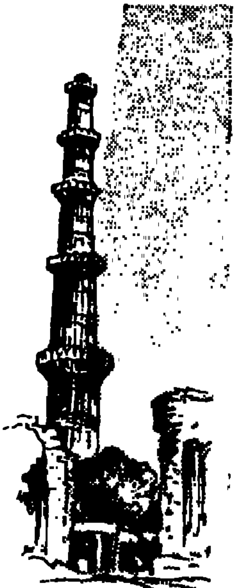
It is good that these efforts to purge our society of practices which militate against the principles of secularism should be launched when we are refashioning our policies in Kashmir. Sadiq's stewardship in that troubled State, now warmly and massively acclaimed in a series of meetings in the valley, serves to illustrate our failures



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in the past. Even Sheikh Abdullah, determined as he is to prove that Sadiq is a 'stooge' of Delhi, realises that politically he is being confronted effectively. Hence, the resort to violence.

A long and arduous fight lies ahead in Kashmir. Ambitious men, who seek independent power, will exploit every weakness which finds expression in the sub-continent. And their antics will condition the thinking of other self-appointed messiahs in the fringe territories to the east. These are problems which will persist for many years. Delhi might yet learn to live with them.

From the London End

Crisis Overcome, but What Next?

THE dramatic events of last week with the fierce assault on the £ sterling, calling into question not only the future of the Labour Government but the international financial mechanism as a whole, make two things clear. First, without a proper overhaul of the international monetary system so as to provide a larger pool of international liquidity which can serve as a base for development plans of a country such as the UK which also runs a world reserve currency. Second, without tackling the basic structural deficiencies of the UK economy, the UK is doomed to a series of 'stop-go' cycles, and the country will gradually fritter away all its resources. Any attempt to develop and expand the economy or to provide basic social facilities for the mass of the population will result, in view of Britain's sluggish export performance, in imports exceeding exports and the balance of payments falling into deficit. The consequent threat to the stability of serling will raise doubts in the minds of foreign holders of sterling: this, in turn, will impel them to move out of sterling with disastrous effects on the UK economy.

In Part, A Legacy

It is useless, in these circumstances, to apportion the blame for the crisis. There is no doubt at all that the outgoing Conservative Government let the economic position drift into the massive deficit which the Labour Government inherited on taking over office. The fact that the Conservatives held on to office to the last possible moment, and, therefore, prevented the Chancellor of the Exchequer from taking the necessary remedial measures, made an autumn crisis almost inevitable. The extent of the crisis, a possible deficit of £800 million, was one that could not be ignored, but it may, perhaps, be pointed out that with the best intentions in the world, and a determination to meet this crisis without the usual 'stop-go' measures, the Labour Government mishandled the necessary actions which it felt it was forced to take.

The measures themselves were indeed necessary, but the manner in which they were undertaken gave a great deal of offence to Britain's trading partners. The psychological mistake of the Labour Government was that in an attempt to convince the EFTA members of the need for Britain to take drastic action, it made them feel that the British economy was in an even worse state than it actually was. At the same time, lack of proper information on the incidence of the new taxes on profits and capital, created uncertainties in the capital market. It is true that Harold Wilson went out of his way at the Lord Mayor's banquet to point out that the Labour Government was determined to support sterling with all its might, but when foreign holders of sterling, alarmed by the dimensions of the deficit and with the typical Continental bankers' prejudice against a Labour Government, noted that the budget seemed to put social welfare before attempts to cope with the weakness of sterling, the run on sterling started.

Irrelevant Budget?

What overseas opinion noticed in the budget was not the sixpence on petrol and the promised sixpence on income tax to offset any possible inflationary tendency generated by the 15 per cent surcharge, but only the increases in pensions and social benefits and the uncertainty over the corporation and capital gains tax. Some of the consequences of this could have been avoided had the Labour Government decided to raise the Bank Rate on Thursday. When this was not done, international confidence received a further blow and a really massive run on sterling started. Even when the Bank Rate was pushed up to the crisis rate of 7 per cent, confidence in sterling failed to return.

The events of the week are now well known, including the dramatic telephone conversations of the Governor of the Bank of England who was able to raise $3,000 million in 24 hours from the Central Banks of the U S, Germany, France, Italy, Switzerland, Sweden, Holland, Belgium, Canada, Japan, Austria, the Bank for International Settlement and the U S Export-Import Bank. It now looks as if the British Government has at last received some breathing space in which to start setting the economy in order.

One of the interesting facts about the run on the sterling was that while many speculators were gambling directly on the fact that the £ would be devalued, the real run was caused by people who normally hold sterling for business reasons. A considerable amount of the early pressure, ironically enough, came from British firms themselves, particularly export firms who were safeguarding themselves by buying foreign currency ahead of their needs.

A Breathing Spell

The relief that has been given to the U K economy by the massive support from overseas bankers can only be a temporary one, and cannot solve the underlying weakness in Britain's balance of payments. The Government must now devote its energy to the faster modernisation of the economy. The facts of the situation are that production has been practically stagnant through 1964 and indeed dropped a little in October, and the export record is only well known. It now looks as if the much vaunted 4 per cent rate of growth predicted by "Neddy" is no longer a possibility unless drastic action is taken.

The autumn economic crisis is the seventh since the war. It fits into the four-year cycle of boom and recession which has been a feature of the post-war British economy. Both in 1957 and 1961, this cycle produced a similar flight from sterling and a similar 7 per cent Bank Rate. The measures taken by the present Labour Government are very similar outwardly to the usual ones –a high Bank Rate, an emergency budget and international borrowing. The Government is faced now with the following alternatives: either it can do what previous Governments did after the last two crises, or it can find a way

of avoiding the continuation of this recurrent disease. Unless a drastic overhaul of the economy is undertaken, the picture will be the same as usual.

The 7 per cent Bank Rate may make industry reduce its investment plans and stop building up stocks as well. As a result of this import figures will fall, Britain's balance of payments will improve so that extensive drawings on international credit can be avoided and perhaps a partial reduction of the import surcharge will become possible. Shortage of credit and the reduction of investment will lead to an increase in unemployment. This, if the usual pattern is followed, will lead to a reflationary budget which will start recovery, and the boom will cause another crisis, and the Chancellor of the Exchequer will again raise the Bank Rate and borrow perhaps even more money from international sources.

Therefore, to get out of this vicious circle, the Labour Government will have to look to the real efficiency of the economy and a fundamental overhaul, and it is here that the moves taken by the Government to set up a Ministry of Technology and to go all out in its attempts to modernise the economy are steps in the right direction. Thirteen years of Conservative Government failed to make an impact on the vital problem. British economy must be made competitive, and this is a difficult and painful process which the Government must be prepared to take, regardless of the unpopularity it brings upon itself. It is on their long-term measures and not on their hasty crisis measures that the Labour Government must be judged.

Notes from Geneva

Explaining to EFTA

THE members of the European Free Trade Area conferred here on November 19 and 20 in an atmosphere of serious crisis (the most serious in the short history of the "Seven") and anger. The talks were shrouded in secrecy, the most important ones being held in between formal discussions of agenda items. Very little information was available to journalists. The imposing line-up of Ministers, mostly Ministers for Foreign Affairs, Economic Affairs and Agriculture, and particularly the 15-man UK delegation underlined the importance of the meetings.

The Danish Foreign Minister, Hackkerup, was the toughest spokesman against the U K import surcharge. He almost threatened the disintegration of EFTA if concrete concessions were not agreed to by the end of the meeting. There was, however, no uniformity of views among the different countries. EFTA countries are hit differently by the British surcharge. The Danes have demanded concessions in agriculture in the form of a reduction of subsidies granted by Britain to certain farm exports. The British subsidy on exported eggs has long been a source of complaint for the Danes. But British concessions to the Danes on eggs is of little comfort to other Scandinavian countries whose main complaint is that woodpulp is subject to the surcharge. Thus while there was unanimous condemnation of the British surcharge, there was no agreement on combined action to combat it.

Britain's EFTA partners were furious, first of all, over not being warned about the surcharge and accused Britain of taking unilateral and illegal action contravening the Stockholm Convention. The British action had, besides, brought about a crisis of confidence, they alleged. The projected action should have been discussed among EFTA members; unilateral decisions of this type, it was pointed out, could only cause serious set-back to efforts to achieve economic integration.

Escape with Small Concessions

The first two concessions offered by the British were too minor. First, Britain agreed to the appointment of an EFTA watchdog committee to periodically examine the financial and economic policies of EFTA members. (This was provided for in Article 30 of the Charter, but had not hitherto been put into practice). The second concession concerned foreign exporters who had signed contracts before the surcharge was introduced but whose goods were still in transit when it became operative. The British Government will introduce legislation enabling these exporters to get compensation by increasing the price of the original contract by 15 per cent. These concessions were accepted, but Britain was asked to fix a date, at the earliest, for reducing and abolishing the surcharge.

There was an all-night session in a hotel salon on November 19 during which the fate of EFTA hung in the balance when the British Ministers and Douglas Jay, President of the Board of Trade, refused to give ground. There were frantic phone calls to Harold Wilson and one conversation is said to have lasted two hours, after which concessions were granted. Gordon-Walker left Geneva the following morning.

Britain, however, managed to successfully resist the EFTA demand for an immediate reduction of 5 per cent in the surcharge; nor did she set any date for reducing or abolishing the surcharge, though she promised to begin to reduce the surcharge within a few months. But while the British Government may have resisted its EFTA partners' major demands, in future it will find its hands tied should it want to take similar drastic action in a crisis. EFTA's working party, set up just three weeks ago, will meet again in December to bring out another report on the British measures and the Council of Ministers will consider the situation at its next meeting in February 1965.

* * *

Soviet Shake-Up: Not Ended Yet

Henri Pierre, special correspondent of *Le Monde*, says in a report that the *Tass* communique on the Moscow session of the Central Committee of the Soviet Communist Party indicates that the session is not over yet. After considering measures to reorganise the administration, members of the Central Committee would most probably go on to examine the situation within the international Communist movement. The month-long Moscow-Peking truce has been shattered by both sides. Government party organs in Albania continued sniping at the Soviet Union, and in reply, after Chou's departure, anti-Chinese criticism was published in the Moscow journal *Problems of Peace and Socialism*. (The journal is not officially a Soviet publication, but is edited by Soviet supporters in Prague and is printed in Russian in Moscow).

The administrative reorganisation embarked on will touch all echelons from top to bottom and will mark a return to orthodoxy. The structure of the party before the November 1962 reform will be restored. Men who were

too closely tied to Khrushchev's policy have been removed. Adjoubei's ill-timed initiatives on the international plane (the steps he took to organise Khrushchev's visit to Bonn were considered his biggest mistake) served to condemn him. Khrushchev retains his deputy's seat, but his removal from the scene has been settled. Later he will hand in his double resignation "for reasons of health". Khrushchev and his friends have been accused of meddling in matters which did not concern them, of arbitrary and hasty decisions, of sensationalism, of boasting, of incompetence in managing the economy and so on. All of them, *Pravda* has demanded, must be removed from party leadership.

Administrative Unity Restored

Khrushchev broke the administrative unity of the party in 1962 by creating a division between those responsible for the agricultural and industrial sectors. This innovation led to serious complications. Party functionaries were assigned to tasks for which they were not always competent or prepared. In addition, the party officials failed to discharge efficiently their political duties. The structural unity of the party has been re-established at the Moscow session. The partymen have been sent back to their important political tasks, leaving their responsibilities in the economic field to the economic administrators, the presidents of the kolkhozes, the factory managers, etc, who, relatively free from bureaucratic surveillance and interference, may henceforth show initiative in producing more and better quality goods. The new leaders clearly want increased consumption.

Demitchev, in charge of modernisation of the economy, has been promoted. (Since he was in the Khrushchev team, it cannot be said that everyone associated with Khrushchev has been removed.) Podgorny has taken over as second secretary in charge of the party apparatus. It was he who had presented the report on the unification of industrial and agricultural, regional, provincial party organisations and Soviet organs on the basis of which the Committee adopted a 5-point resolution abolishing the separation of party and government organisations along industrial and agricultural lines. It was also "considered necessary to return to the principle of the construction of party organisations and their directing organs along territorial production lines". Organisations at the regional and district levels have been directed to re-merge into consolidated units. Party conferences at these levels are to take place next month to put an end to the two-sector division. There wil probably be numerous changes among local party officials and after these changes have been completed there may be some further reorganisation of the Government.

The Rising Star

The rising star in the CPSU is undoubtedly Shelepin. Under Stalin he was head of Komsomol; under Khrushchev he was head of the Secret Police. Now *he has joined the small elite who* belong to both of the key units within the Communist Party, the secretariat and the *Presidium* (the *others are* Brezhnev, Podgorny and Suslov). And, besides, Shelepin is also a deputy premier. At 46, he is the first of the generation born after the Revolution to gain this status— he is ten years younger than the other three. Far from being a liberal, however, he is considered a champion of doctrinal rigour and vigilance. Shelepin's rise explains much of the anxiety in Western circles, who have also not failed to notice Semitchastny's promotion. They fear that moves towards liberalisation and democratisation will be closely controlled and perhaps even stopped by strict orthodoxy.

Meanwhile, the last Chinese-Soviet meeting in Moscow marks another stage in the decline of Soviet authority in the world Communist movement, especially among the East European communist parties who can no longer be rigidly disciplined from Moscow. The present confusion suits their interests very well. The Czech National Assembly reappointed Novotny to a new term as President in defiance of the Kremlin policy of collective leadership. The Czechs seem determined to maintain a system of unitary leadership of the State and Party apparatus. Nevertheless, East European Communist leaders are also anxious about the future of the world Communist movement since the demands presented in Moscow by Chou en-lai appear to have crushed all hope of a compromise in the Sino-Soviet ideological dispute. Gomulka and Kadar are reputed to be bound for Paris early in the new year, and Maurer, the Rumanian Premier, for London and Washington.

Wooing Africa

Yugoslav sources say that the areas of conflict between the estranged Communist powers are so broad that any compromise would entail unacceptable retreat by Peking or by Moscow. The particularly sensitive issues are the territorial disputes along the Sino-Soviet border and political competition in Africa which, incidentally, makes the Western powers none too happy. To Peking, Africa represents an intermediate zone lying between the 'imperialist' world and the 'socialist' world. To Moscow, Africa is the "third world" of developing States which with the Communist bloc, is supposed to constitute the "progressive" forces. One of the handicaps of the world Communist movement in Africa is the lack of Communist parties in African countries, with the exception of South Africa. Most of the African countries are run by authoritarian single-party governments who may support Moscow or Peking positions in foreign policy but refuse to tolerate communists at home.

The immediate brake on Communist success in Africa is that neither the Soviet Union nor China is wealthy enough to meet the demands for capital and over-all economic aid of the former colonial countries. Total Sino-Soviet offers of economic aid in the decade up to 1963 were 5 billion dollars compared to 39 billion dollars offered and delivered by the West (the largest proportion coming from the United States), excluding private investments. A number of African statesmen themselves have expressed concern at Soviet and Chinese activities in their countries. The Peking technique is to offer economic aid to an African country which then undertakes diplomatic negotiations with a view to establishing representations. Then Peking sends in trained operatives to contact and influence individual leaders in the nationalist groups and nascent organisations like trade unions. To be sure, this is not a new technique. Other countries are using it in Africa and elsewhere.

* * *

European Shipping in Doldrums

European ship-builders have just lost a £12 million order from the P & O groups to Japanese yards. Another £18 million order may also be lost. Only one of the four giant bulk carriers ordered by P & O is to be built in the West at Govan, on the Clyde. The other three will be built in Japan. Similarly, for the first time in their history, Canadian Pacific has placed contracts outside Britain. The Japanese can build ships about 20 per cent cheaper than European yards. They have cheaper steel, lower wages and massive Government support.

France is a country which is particularly concerned about its decline as a maritime power. According to French Government spokesmen, France has

dropped from 6th to 11th place among maritime nations since 1957. In a bid to improve their competitive position, three French shipping companies have joined forces. The companies are the Compagnie Maritime des Chargeurs Reunis, the Compagnie de Navigation Fraissinet and the Paquet Compagnie. All have big Mediterranean and North African runs. Under the merger agreements, the Compagnie Maritime des Chargeurs Reunis acquired majority rights in the Compagnie de Navigation Fraissinet et Cyprien Fabre and its branch, the Societe Ivoirienne de Consignation et d'Armement. It also took over another Fraissinet shipping line, the Societe Generale de Transport Maritime. Compagnie Maritime plans to merge its acquisitions into a new company with headquarters in Marseilles. With the Paquet company it is launching a joint shipping venture named La Nouvelle Compaignie Paquebots.

French Government spokesmen admit that only 48 per cent of France's imports and 38 per cent of her exports are transported by French-registered vessels. A total of 46 French ships were laid off or sold abroad last year and 2,900 French sailors serving on passenger ships have been laid off since the beginning of 1963. The French Government proposes to encourage amalgamation of shipping companies and plans to reserve all goods to be shipped to Russia under the new French-Soviet trade pact for French ships.

— Sunita Banerjee

November 23.

Book Review

Metropolitan Finances

I S Gulati

Municipal Finances in the Calcutta Metropolitan District: A Preliminary Survey by Abhijit Datta and David C Ranney, Calcutta Research studies No 3. Institute of Public Administration, New York (1964).

THE New York Institute of Public Administration has undertaken, as part of its programme of international urban studies, "a series of fiscal studies of the Calcutta Metropolitan District." The report under review is the first of this series to be published. To put it in the words of the authors, it is "the outcome of a collective effort to bring together the financial statistics of 36 urban local authorities", over a 12-year period beginning in 1950-51. The general objective of the authors is "to present a background report that attempts to set the stage for further investigations" and to arouse "some interest in this neglected field of fiscal science in India."

Calcutta Metropolitan District with a population of 5.6 million in 1960-61 is the largest conglomeration of people in this part of the world with the exception of Tokyo. Interestingly, however, *the rate of growth of population in the Metropolitan district in the decade of the 1950's was almost half the rate at which the population of West Bengal as a whole increased.* Indeed, the rate of growth of population in Calcutta proper was even lower. As the authors of the Report observe, while Calcutta continues to dominate its hinterland, its dominion is gradually being reduced. This is true with respect not only to population but also to rates and taxes, and income and expenditure of the several governmental units.

At the same time, the Report brings out that *the per capita expenditure incurred by the State Government in Calcutta is much higher than in either West Bengal as a whole or in the other urban local authorities of the Metropolitan District. It is nearly thrice as high as in West Bengal as a whole. But the local government expenditure does not show a similar disparity*. In fact, per capita local Government expenditure in 1960-61 was a little lower in Calcutta proper than in West Bengal as a whole.* In other words, disparity in the cost, and also probably the level, of Governmental services between a highly dense population concentration like that of Calcutta and less dense concentration arises with respect to state Government expenditure.

Municipal Services: Cost and Quality

Why is this so? Is it because the local authority in Calcutta is unable to meet the higher cost of services and, therefore, the State Government has to step in to provide the minimal services? Or is it that the level of services provided in Calcutta is higher than in the rest of the State? Probably, the truth lies somewhere mid-way. The Report does not presume to answer these questions but they are very important questions and researchers in Calcutta and other large cities like Bombay, Madras, Ahmedabad and Delhi must attempt to answer. "if only to establish a firm basis for the appraisal of existing policies and programmes".

The report brings out that over the period surveyed income on revenue account grew much more slowly in Calcutta than in other local authority areas of the District and also in West Bengal as a whole. Per capita tax in Calcutta increased from Rs 11.96 in 1950-51 to Rs 16.48 in 1960-61 whereas the corresponding increase in West Bengal was from Rs 9.73 to Rs 16.30. This may reflect the slower rate of growth of population, and income too, in Calcutta proper. But the fact that the current per capita local tax levied in Calcutta and West Bengal as a whole is nearly the same could mean that the Calcutta local authority is either somehow unable to raise larger per capita tax revenue or would, on its own, be content to provide a lower level of services. This, of course, assumes that the cost of the same basketful of services is higher in Calcutta than in the rest of West Bengal.

The Report is duly cognisant of these issues. It is essential to establish some, though rough, measures of standard local services. On the basis of these measures it will be feasible to appraise the costs of urbanisation in various centres, new and old. As the Report rightly observes, per capita expenditure index is not at all suitable for comparing the service levels of the various local bodies. But this is an area of research worth probing in great detail if studies of local finance in India are to rise above the present pedantic levels. Let us hope that the research studies undertaken in Calcutta will keep the promise that the Report under review holds. This is just a beginning.

* This and the subsequent observations are based by the reviewer on the assumption that the fiscal data given in Table 1 of the Report relates to local Government income and expenditure just as the data in Table 2 pertain to State Government expenditure in local authority areas.

India, Wake Up!

Joan Robinson

October 1st 1964 was the fifteenth anniversary of the foundation of the People's Republic of China. I had the good fortune to attend the celebrations and to travel afterwards in China and Korea. I was often thinking about India, whence the news meanwhile was not very cheering.

FIFTEEN years of hard work, national unity, homely frugality, self-denying devotion, and robust common sense, have got the Chinese economy just off the mud. Is there any other prescription? Certainly foreign aid is no substitute. Meanwhile India is burdening herself with a so-called defence effort which damages her economy and does not make a ha'p'orth of difference to the Chinese. They have got the frontier they want (for the claim to NEFA was evidently a talking point) and the nature of the terrain prevents them from wasting much man power on it. Whom is India's policy intended to benefit?

"An All Round Turn for the Better"

The Chinese economy *is* getting off the mud. The years of natural disasters are sinking into the past; water control and afforestation are building defences against their return. There are still no statistics, but it is evident that 1964 will prove to have been a bumper year in grain and cotton. The shock of losing the Soviet technicians has also faded into the past. Indeed, it is claimed that "self-reliance" has actually speeded up development, because home-bred technicians understand conditions and requirements at home. This agrees with experience in North Korea which is carrying both self-reliance and fast growth to unprecedented heights. With agriculture more or less stabilised and oil supplies now secure, the tempo of industrial expansion is evidently picking up. We must wait, as patiently as may be, to be told how much.

On the other hand, the results of the census (also not yet published) seem to have been disconcerting. Late marriage and family planning are being popularised—under the label of health for the mothers rather than the needs of the national economy—and are said to be beginning to take on with the younger women. Even if the birth rate could be got under control today, it will be a strain to provide for those who have got born already. Consider, for instance, what thousands of miles of piece-goods will go to covering today's toddlers as they grow. This problem takes on a more menacing guise in India, as 1964 has shown.

There is a political advantage in the wide base of the age pyramid. Whatever discontented elements remain—ex-land-lords and rich peasants in the countryside or remnants of the bourgeosie in the towns—today are swamped by the majority bred under socialism who see no charm in the old life and do not even know what it is supposed to mean.

Economic Miracle

Hard work and fast study, men and women alike—the Koreans in the north have been making a great leap for ten years, riding, as they love to say on *Chullima*, their legendary winged horse. The economy is tightly controlled, uniform, paternalistic and built for speed. They want it that way, for their hearts are burning.

There are several stories of the origin of war but there is no disagreement about the end. Unable to advance on land, with command of air and sea, the so-called United Nations forces systematically destroyed every city, town, port, industrial installation and many villages as well, to teach the Koreans a lesson. It has certainly done that

And they are still cut off, without being allowed to exchange so much as a postcard between divided families, while the South is sinking further and further into economic ruin and political degradation. Indignant pride drives them on and they have found a formula *to express it in concrete terms.*

The formula is technological self-reliance. They already have seven years compulsory schooling and will soon add two more, strongly concentrated on technical subjects. They reckon that a quarter of the population is getting full-time education of one sort or another. Besides this every large enterprise has its own schools and college, specialising in the appropriate branch, so that workers can study, at whatever level they have reached, while they work. The peasants study in the winter. Ninety six institutions of higher education have been set up, where there was formerly not even one.

Working with the eager support of the labour force and endowed with good mineral resources, the home-grown corps of technicians can now install and operate sophisticated modern plant over almost the whole range of investment goods, so that industrialisation has been carried out in short order, along with the electrification and partial mechanisation of agriculture. Agricultural labour has fallen from 80 per cent of the whole to less than half.

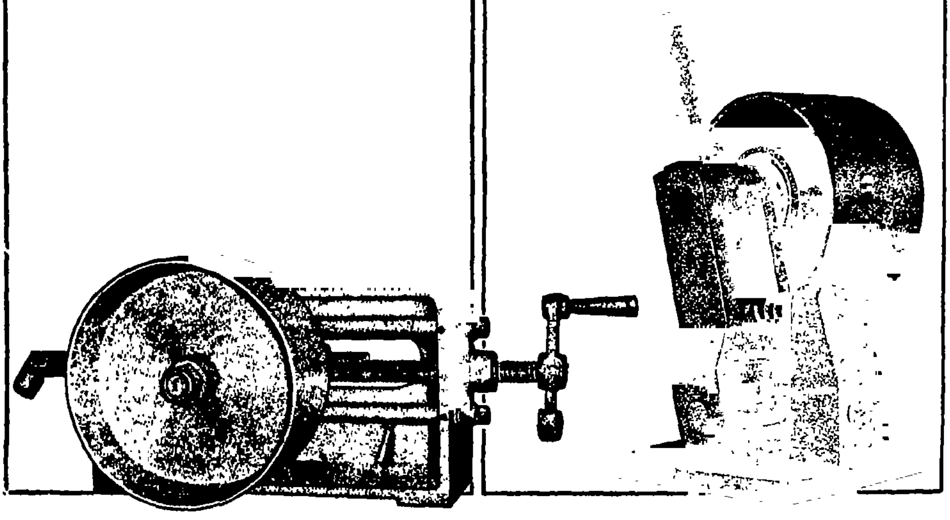
This has not been at the expense of consumption. A fantastic effort of construction has recreated the blitzed cities and towns, while almost the whole rural population has been moved out of mud huts into neat little pukka houses. Food production has risen to 5 million tons of grain, more than ample for 12 million mouths, with a good supply of apples, vegetables, fish, pigs and poultry. At first, for manufactured consumption goods they relied on fostering small and medium scale local industry. Then a large-scale textile industry was brought into production, including their own particular artificial fibre, vinylon, specially developed on the basis of their commonest raw material, ordinary limestone. They reckon now to have provided for a decent standard of housing, food and clothing for the population, as well as a complete network of social services, so that they can switch back to devoting the bulk of investment to heavy industry, and set *Chullima* bounding ahead faster than ever.

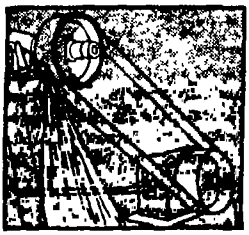
Apart from a grant from the fraternal countries of 500 million rubles to start reconstruction in the devastation after the war, this has been done without foreign aid. Meanwhile abundant aid is ruining the economy of the South.

Pleasure Ground

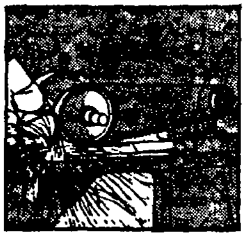
There are still backward areas in China where humans pull the plough, though now it is six strapping young humans, not one wretched peasant's wife. At the other extreme, in the "land of rice and fish" south of Shanghai the communes are bursting into prosperity. Specialist occupations like the culture of flowers for tea—the shrubs and small trees are kept in pots and moved into hot houses every

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This is region of famous beauty spots and is full of sanatoria run by Trade Unions and other institutions to provide their members with treatment for various complaints, convalescence, and a holiday home. It is also a centre of luxury production. The best tea sells for £4.10 per pound; the finest embroideries are priceless—for exhibition only; the art of miniature landscape is being popularised. But industry is also fostered. The people of Soochow look with pride on their skyline where the factory chimneys outnumber the pagodas. (In Chinese eyes. a plume of black smoke is a lovely sight; someone ought to warn them about their lungs.)

Silk is very cheap by international standards (to find an analogue for tea one must think of French wine). The best team raising cocoons earns, including grain and fish, not much more than half the average income of a specialised tea brigade, and the silk spinners wages, though tripled since Liberation, are below the national average. Silk was the vehicle for extreme exploitation; a proprietor of tea bushes could not be so much squeezed; the care of silk worms was a side occupation for women in the peasant families, and the mills were manned largely by child slaves.

The manager of a spinning mill, like any muddle-headed businessman, says that the wage rates are kept down by low output because the mill is as yet only partly mechanised. The point is, I suppose, that to triple earnings is enough to go on with, and historically established price relations cannot be abruptly changed.

The nurture of silk worms provides a neat example of the economies of co-operation. Formerly only those households who were well enough off to own a grove of mulberry could raise cocoons. And for those who could, round-the-clock feeding for weeks on end was a cruel strain. Now all the women of a team take it in shifts, and work together on the trees in the off season. Moreover the team has a large barn correctly heated and ventilated, which was a sore problem in the peasant's home. Quality as well as quantity has much improved.

Soochow, with its mild climate and ancient arts, was a favourite retreat for retired notables ever since the Sung period. The gardens they built for refined enjoyment were ruins under the Kuomintang, now carefully restored as public pleasances. The student brings his books to the Pavillion for Enjoying the Sound of Rain Drops on Banana Leaves; the old pensioner potters around the Pool of Viewing the Reflection of the Moon. The intricate structures of fantastic rocks through which one can walk a mile in half an acre are ideal for the children to play hide and seek.

The West Lake at Hanchow is exquisitely pretty and saturated with literary associations. The local people make a cult of it—it is not just for tourists. While I was at lunch my escort took the opportunity to be rowed out to enjoy the lake in fine misty rain "like a bridge in her veil".

We sit sipping exquisite tea beside the Jade Pool where huge black and yellow gold-fish, languid and polite, pick the crumbs thrown to them without jostling like common fish. As a black drifts past a yellow, a golden gleam is reflected on its scales. A series of inscriptions hanging round carry out a philosophical argument: Whether a man can know that a fish is happy.

But the wide wild beauty of Lake Tai is more to my taste.

With some time to spend in Shanghai, I asked to see housing. Of all the fine and lovely sights on the trip, none was better than the faces of the women who had recently moved into flats (two rooms with kitchen and lavatory, water and gas laid on) from an old ghastly stinking slum (which however had been a good deal cleaned up meanwhile) where people used to live under "rolling dragon" straw mats—unable to stand upright indoors or outside. The representative of the neighbourhood association showed us round—a strong, frank intelligent face with bright eyes. She had been a beggar-woman in the old days. When gas was first brought to her flat, she had no idea how to light it, and sent for her son who works in a factory the other side of the city.

Birthplace

On the way south to get the PIA plane at Canton, I stopped off in Hunan Province and was taken to visit the village where Chairman Mao was born. His peasant father's house, with the furniture and farm tools, is preserved with reverend care, just as it was; the guest house and bus station for the seething pilgrims is at a little distance out of sight.

Russians reproach the Chinese with a cult of personality. This is a *non sequitur*, for in Russian usage the *cult* is a face-saving label to cover not only the adulation of Stalin and his tin-pot imitators in the Peoples' Democracies, but also the failure of the Soviet Union to develop mature political forms; as well as a morbid condition in the Party (much unlike the Chinese) which smothered normal human decency, honour and honesty, while leaving normal human ambition, greed and cowardice unchecked.

There is no need to rewrite history to present Mao Tse-tung as a great man. He *is* a great man, most of all because amid success, glory and power he retains humility in the face of facts. His writings are not a concoction of platitudes recommended only by the name of the author. They are works of great originality, infusing Marxism with humanity, humour and commonsense. He really has led his people to victory, not in five years of war but in twenty-five. There is no need for any official puffing of popular devotion to his person.

But he has undergone a process which I think is best described as *canonisation*. He has become an immortal saint while still alive on earth. This is consciously aimed at preserving political stability when the next generation has to take over and, in fact, at promoting it. Stressing the immortal—his wisdom, his writings, the epic story of his life, will help to soften the shock.

The story of his life begins, at the birthplace, with a tale of how when he was so high, he organised his mates to carry out their tasks of minding the cattle and collecting firewood, assigning some to finding berries and nuts to be shared by all.

Meanwhile, in his seventies the human Mao remains as fresh as ever. I was told that his latest concern is about examinations. Why do teachers periodically commit aggression on their pupils? Cannot they find a better way? Experiments that he has set going will interest students and teachers of all nations.

Shop Window in the South

It is curious that each country has its South and North, irrespective of absolute latitude. In China the North eats wheat, the South rice. The South is poorer and more crowded, the food hotter, the arts are more flamboyant, the people of slighter build and consider themselves brighter.

The country life around Canton has been revolutionised by electrified water control. 1963 was a worse drought than any of the "bitter years" 1959-61, indeed the old peasants say the worst in a hundred years. The rice crop, and the average yield, were the highest ever known. Further north they took advantage of the dry to grow ground-nuts and still had time for some rice when the harmless tail of a typhoon broke the drought late in August.

This year the rice crop was still better. Some nasty typhoons spoilt the fruit, but water control works both ways; the floods were got rid of before they could do any harm. They now have two days warning from the coast, so that no lives were lost, though a lot of houses were destroyed.

The slum problem of Canton was even worse than in Shanghai. Thousands of families lived from generation to generation in small boats along the front. About half have now been moved into flats and they hope to have them all in. in two years time.

We find a flat where grandma and her daughter-in-law are at home (most of the inhabitants are out at work, with their boats or in the city). Grandma is a merry old soul with gold teeth. She recounts how, soon after they were settled, the house began to rock one night, which gave them a very poor view of life on land. But they learned from the neighbours that it was a mild earthquake, not something wrong with the house. Now that they have got used to it, they much prefer the flat to the sampan -it is wonderful to be able to let the children run around without the constant fear that they will be drowned. But it seems to a visitor that they do not yet take full advantage of a solid floor. There is nowhere to put the baby except on the back of his mother or his five-year-old sister (an engaging imp) who is proud to take a turn. Grandma is standing up all the time to make a back for the two-year-old who does not feel safe anywhere else. And the cat is kept on a tether. The second daughter-in-law is working in a marine-engine factory. and no doubt has broken into the new world by now. Down below a crowd of sturdy ragamuffins eye the visitors with the wary look of the little outlaws that they so recently were.

I arrived in Canton when the bi-annual Export Fair was just ending. The foreigners were entertained with a performance of *Swan Lake*. The *Chinese ballet, starting from scratch seven years ago, naturally has not yet developed great power, but exquisite style. This is another case of self-reliance, for their Russian teachers left them suddenly in 1960 along with the* other Soviet experts.

The exhibition hall for the Fair displays everything from machine-tools to jade carvings. Design, with some notable exceptions, is not to my fancy, but there are evidently plenty of purchasers who appreciate ornate elaboration. *The show-cases and dealing rooms are well arranged. Every convenience is provided for buyers, and the sellers know their business. The whole affair has the unmistakable glossy finish of a thoroughly professional job. The old staple commodities still bear the main* load, but new types of manufactured exports are growing year by year.

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Marketed Agricultural Surplus and Development

Kalpana Bardhan

The solution to the problem of development, it is argued, is to take steps to increase agricultural productivity rather than get involved in the possibility of the failure of marketed agricultural surplus to grow. Since the peasant has a rather high propensity to save and since a large part of his incremental consumption consists of manufactured goods, the argument runs, it is incorrect and misleading to over-emphasise the problem of marketed surplus.

This line of argument, however only indicates why marketed surplus may not fail to increase with rise in per capita agricultural production. In a predominantly agricultural country, like India, aiming at a high rate of capital formation, it is not enough that marketed surplus should rise with rise in production; the ratio of marketed surplus to production must rise enough to mobilise the savings potential in the agricultural sector to the utmost. It would not do, therefore, to ignore the problem of marketed surplus.

An attempt is made below to analyse the problem with a view to distinguishing between cases where raising the marketed proportion of production is as important as raising the level of production and cases where productivity is, or should be, the all-important factor.

THE flow of marketed surplus of foodgrains is generally recognised as one of the most important limiting factors in the process of economic development which involves the transfer of surplus rural labour to non-agricultural investment projects. Given the imports of foodgrains a country can increase this surplus by

(1) increasing the production of foodgrains per head of agricultural population and

(2) raising the marketed proportion out of a given level of production of foodgrains.

Hastily Dismissed

While the importance of the first method is beyond dispute, the relative importance of the second has been subject to some discussion. Contrary to a number of economists who have stressed the difficulty of raising marketed surplus of foodgrains in a developing economy with peasant agriculture, V Dubey[1] in a recent paper argues, with the help of "indirect and circumstantial" evidence relating to India, that "the solution (to the problem of development) is to take steps to increase productivity and not to get involved in the possibility of the failure of *marketed* agricultural surplus to grow". Since the peasant has a rather high propensity to save and since a large part of his incremental consumption consists of manufactured consumption goods (because of, among other things, a growing seepage of wants for such goods from the urban to the rural sector), it is, we are told, "incorrect and misleading" to over-emphasise the problem of marketed surplus. But for all their plausibility, Dubey's arguments only indicate why marketed surplus *may not fail to increase* with rise in per capita agricultural production, whereas in a predominantly agricultural country like India, aiming at a high rate of capital formation, it is not just enough that marketed surplus should rise with rise in production; it is also necessary that the ratio of marketed surplus to production rises *enough* to mobilise, to the feasible utmost, the savings potential (in terms of foodgrains) in the agricultural sector—and this is the context in which many economists have shown their concern about the problem of marketed surplus. In this sense Dubey has dealt with a very narrow version of what he calls "the doctrine of the *marketed* agricultural surplus" and dismissed a really important problem rather too hastily. In what follows we shall try to analyse the problem a little more carefully and distinguish between cases (with reference to pockets of mobilisable surplus) where raising the marketed proportion of production is as important as raising the level of production and the cases where productivity is, or should be, the all-important factor. Following Dubey, we shall refer to Indian data wherever they are available.

Demonstration Effect

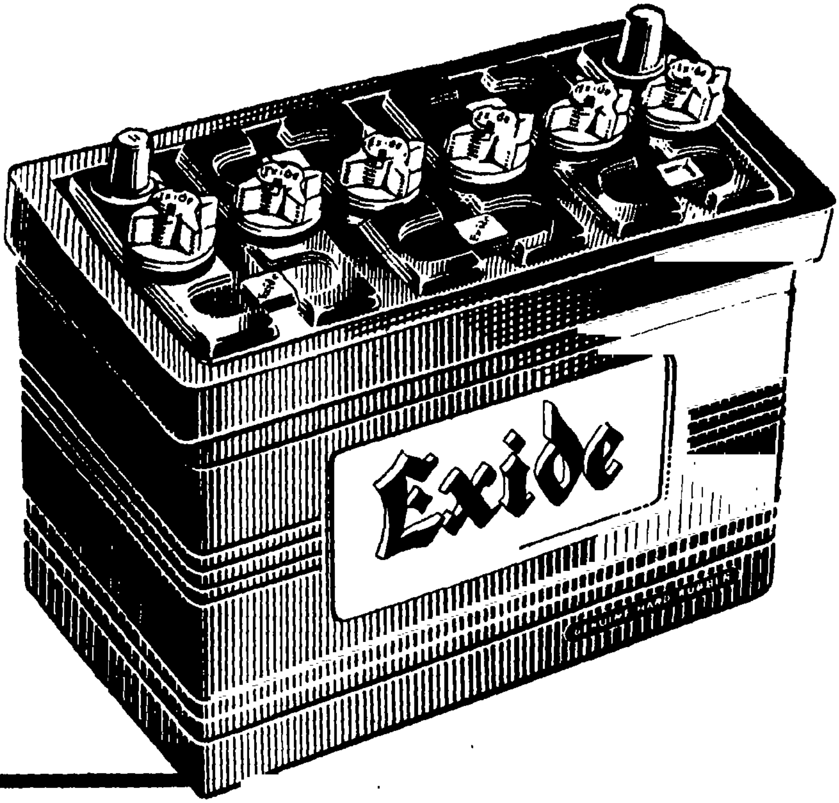
Estimates from the cross-sectional data revealed by the National Sample Surveys on consumer expenditure in in India show[2] that the income-elasticity of demand for foodgrains is higher in the rural[3] sector than in the urban. The consumption surveys also show that the per capita consumption of foodgrains is much greater in the rural than in the urban sector not only for very low income (or expenditure) groups but also for high income-groups[4]: this means that the demand curve[5] for foodgrains in the rural sector not only lies above that in the urban, it also goes on rising even when the latter has flattened out. On both these counts it can be said that the inter-sectoral demonstration effect and the seepage of wants for commodities other than foodgrains (on which Dubey puts much of his faith to ensure a steady flow of marketed surplus) have not as yet been powerful enough, and a considerable fraction (though not all) of any increase in foodgrains production per head of agricultural population is still likely to be absorbed in increased consumption on the part of the peasants themselves (including the richer ones) So Dubey's assurance that the seepage of wants *exists* is not comfort enough for the planner anxious for rapid development.

Beyond Generalisations

In order to grasp the problem of marketable surplus, it is necessary particularly in a country like India to go beyond generalisations for the country as a whole. In view of substantial regional differences in foodgrains consumption, it is useful to distinguish between 'surplus' and 'deficit' agricultural areas on the basis of some rough but generally accepted criterion of nutritional requirements of per capita consumption of foodgrains.[6]

The farmers in the 'deficit' area will be forced to market some part of their produce in order to obtain some basic necessities not produced by themselves, and thus will be supporting some non-agricultural population. In such areas, obviously, raising productivity is far more important than inducing or coercing the farmers to undertake more 'distress sales'. In 'surplus' areas, on the other hand, there is more scope for raising marketed surplus out of a given production which should be at least as important an objective as that of raising productivity.

In view of the above, it is important to locate the so-called 'surplus' and 'deficit' areas and a more detailed investigation than is available now is necessary But even from existing data it is possible to give a rough illustration



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of this important distinction of 'surplus' and 'deficit' areas. Some data regarding consumption of cereals per adult consumption unit in the rural sector (at the State levels) are available in the Reports of Agricultural Labour Enquiry. As for the problem of defining nutritional requirements of foodgrains, we can first refer to the (Indian Council of Medical Research) Nutritional Advisory Committee's recommendation of 14 oz of cereals per consumption unit in a *well-balanced diet*. It appears that in most of the States (except in some Southern States) cereals consumption per consumption unit exceeds 14 oz. But in view of the notoriously ill-balanced diet of the Indian farmer (containing very little of non-cereal food), one has to allow for a higher nutritional requirement of cereals. According to F A O nutritional studies[7], the average calorie requirement[8] per day per adult weighing 55 kg under 25.5°C of temperature (which we assume to be roughly representative of East India) is 2040; and if we visualise a situation where nothing but cereals is consumed, this amount of calories can be obtained from about 20 oz of cereals." Referring to the Report of the First Agricultural Labour Enquiry[10] we find for the States in East India that for Assam and Orissa at least actual consumption of cereals per *rural consumption* unit decidedly exceeds the above maximum limit of 20 oz.[11] Similar attempts to mark off 'surplus' regions might be made with respect to other zones. In these 'surplus' regions raising the marketed proportion of output of cereals should obviously be an important objective.

Variations in Consumption

Just as an analysis of regional differences enables us to locate pockets of mobilisable surplus, one can carry out a similar analysis with respect to the enormous inequality in foodgrains consumption among the different income-groups within each region. The following Table may give us an idea about this inequality in the different States in East India. It is clear that in 'surplus' and even in 'deficit' regions, the richer farmers consume foodgrains in amounts far above the nutritional requirements of cereals (as defined above) which points to a source of mobilisable surplus in these regions, so long as the seriously sub-standard cereals consumption levels in the lowest income groups are not corrected through adequate redistributive measures. In other words, as long as the inequality is there, there is no reason why one should not try to tap this potential source of surplus.

Then again, as Dubey recognises, the big farmers as contrasted with the small who are 'forced' to sell immediately after harvest, are in a position to hoard their output and wait for higher prices later in the season. This speculative withholding of stocks by large farmers may not just be a matter of changed seasonal distribution of an unchanged total sales position, but may be expected to reduce the total volume of marketed surplus over the entire season, since a given amount, however large, of cash (required to buy non-agricultural goods etc) can be earned with lesser amount of total sales later in the season when prices are higher. This phenomenon may have now been a more important feature of agricultural marketing in India since there is some evidence to think that the degree of concentration of marketable surplus of foodgrains in the hands of big and medium cultivators may have increased in recent years.[12] This effect on marketed surplus is reinforced by the fact that large farmers have gained more from the recent upward *trend* in agricultural prices than the small farmers who are generally 'forced' to sell at the seasonal 'trough' which is below the annual average.

There are Surpluses

The discussion above shows that despite abysmal poverty and sub-standard consumption in many areas, there exist substantial pockets of mobilisable surplus (on account of inter-regional and intra-regional inequalities) in the Indian economy; and it would be unwise not to be seriously concerned with the problem of raising the marketed surplus (as much as is politically and administratively feasible) as with that of raising productivity. The intersectoral demonstration effect, however real, cannot be trusted to take care of the whole problem. Three general policy lines can be suggested: (1) a more intensive and 'progressive' system of agricultural taxation, (2) 'doctoring' the terms of trade suitably between the agricultural and the non-agricultural sector, and (3) hastening, by various means, the process of seepage of wants for non-agricultural products into the agricultural sector. It should be noted that while the first two methods, if successful, will raise the savings ratio in the agricultural sector, the third just relies on a reshaping of the existing consumption pattern. The first two methods are politically more difficult to operate, but they are more effective from the point of view of ensuring a rapid rate of capital formation.

Notes

1 "The Marketed Agricultural Surplus and Economic Growth in Underdeveloped Countries", *Economic Journal*, December 1963.

2 'Reports on the Pattern of Consumer Expenditure', The National Sample Survey, 2nd to 7th rounds covering April 1951-March 1954; A K Biswas and D K Bose in "*Papers on National Income and Allied Topics*", Vol II.

3 We are assuming that the pattern of consumer expenditure in the agricultural sector is similar to that of the whole rural sector.

4 See A Rudra and B Roy in "Studies in Consumer Behaviour", Indian Statistical Series, *no 6, p 30 and first graph on p 23.*

5 The 'demand curve' is obtained by plotting cross-sectional figures of per capita expenditure on foodgrains against those of monthly per capita expenditure classes. See A Rudra and B Roy, *op cit.*

6 An area is to be called 'surplus' or 'deficit' according as the actual consumption of foodgrains per head of adult agricultural population is significantly greater than or around (or less than) the nutritional requirement.

Table: Quantity of cereals Consumed Per Day Per Adult Consumption Unit According to Annual Per Capita Expenditure *(in oz)*

Annual per capita expenditure classes	Assam	Bihar	Orissa	West Bengal
Rs 51 to Rs 100	10.0	13.5	17.5	12.6
Rs 101 to Rs 150	15.1	16.9	25.9	17.7
Rs 151 to Rs 200	24.2	20.2	32.4	19.3
Rs 201 to Rs 250	25.7	23.8	--	10.7
Rs 251 to Rs 300	25.1	28.1	53.1	23.0
Rs 301 and above	36.6	39.5	--	29.5
All classes	22.8	19.5	20.7	20.1

Source: Report of the First Agricultural Labour Enquiry as cited in D Ray, "Food Administration in East India", 1939-54, p 122.

[7] Calorie Requirements', F A O Nutritional Studies, No 15, 1957 and No 5, June 1950.

[8] This is derived by assuming a fairly high proportion of children in the population as is normally the case in a country with high birth and death rates. See Colin Clark, 'Future Sources of Food Supply: Economic Problems', *Journal of Royal Statistical Society*, Series A, 1962.

[9] This figure has been obtained by applying the following conversion factor: 360 calories per 100 gms of cereals. In spite of slight differences, in this respect, between the different cereals and differences arising from the degree of milling, etc, this figure is roughly appropriate. See F A O Nutritional Studies, No 3, 'Food Composition Tables for International Use."

[10] See Table.

[11] See below.

[12] Carrying out a similar analysis with data regarding this region from the Report of the Second Agricultural Labour Enquiry we find that actual consumption of cereals per adult consuming unit in these two surplus States exceeds 20 oz by even a greater amount.

[13] One can legitimately expect this in view of the facts that (a) large farmers have gained proportionately more from the programmes for providing ampler rural credit (which has added to their 'liquidity' position and hence their capacity to withhold produce from the market), and (b) they are increasingly getting hold of the marketable supplies of smaller farms in the immediate post-harvest period (in repayment of debts, etc) See J P Bhattacharjee in *Agricultural Situation in India*, January 1960; "The Report of the Team for the Study of Community Projects and National Extension Service; Report on an Enquiry into the Pace and Pattern of Market Arrivals of Foodgrains, 1958-59 Season".

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American Negro Poverty

Robert B Carson

During a period when the Negro, after years of national apathy and indifference, has pressed for and in large measure gained swift and comprehensive legal and political advancement, his economic condition shows signs of retrogression. Recent income and employment studies reveal that the White-Negro economic gap has widened over the past dozen years and, recently, the Negro's earning and employment status has shown an absolute decline.

How is the Negro's economic condition to be accounted for and what are its implications?

IF poverty is determined upon some absolute income scale, the American Negro is by any world standard highly favoured. As a U S Senator from a southern state observed in opposing the Civil Rights Act of 1964, "the per capita income of American Negroes is $1,100, and they've got more cars, TVs, and radios than anyone in Russia." Poverty, however, is properly a function which varies with time and place, and to 19 million American Negroes, despite their well-being by most world standards, poverty is real enough when their economic condition is compared with that of fellow white citizens. Their jobs are poorer and with less security. Their average earnings are only slightly more than half the white income average. As the most casual or indifferent observer of northern and southern cities and southern rural areas must admit, separate economic worlds exist for black and white America.

Two Societies

This economic division is not new, but at the present it poses a cruel and perplexing paradox for America. During a period when the Negro, after years of national apathy and indifference, has pressed for and in large measure gained swift and comprehensive legal and political advancement, his economic condition shows signs of retrogression. Discounting the arguments of apologists who point to important gains since World War II, such as the approximate doubling of Negro's income, recent income and employment studies reveal that the comparative white and Negro economic gap has widened over the past dozen years, and, recently, the Negro's earning and employment status has shown an absolute decline.

In 1962, Negro average earnings were $3,023 compared to $5,467 for white Americans. Such averages, however, tend to obscure rather than explain the Negroes' plight. A more adequate indication of the relative degradation is obtained from a 1962 study of income distribution in the United States by the Conference for Economic Progress. Basing its analysis on a Department of Labor survey of family budgets, the CEP classified American incomes into five types—"Poverty", "Deprivation", "Deprivation-Comfort", "Comfort-Affluence", and "Affluence". With $6,000 determined as a "modest but adequate" (Deprivation-Comfort Level) family income, the study defined "poverty" as earnings of less than $4,000 per family, $2,000 for unattached individuals. "Deprivation" was determined as earnings between $4,000 and $6,000 for family units and $2,000 and $3,000 for individuals. Using these categories, the CEP concluded that 38 million Americans lived in Poverty and 39 million in Deprivation, each group accounting for about about 20 per cent of the national population (see Table 1).

While 65 per cent of all Negroes were below an "adequate" income level, very large numbers were clustered at the bottom of the income scale. Among multiple person families, 32 per cent of Negro households had incomes of less than $2,000, half what the CEP defined as the upper limits of "poverty". Only 11 per cent of white families were in a similar economic category. Almost 14 per cent of Negro families earned less than $1,000, compared to only 4 per cent of whites. Stating all this somewhat differently, Negroes, comprising about 10 per cent of the national population, provided almost 25 per cent of the American poor.

Looking at comparative white and Negro income data in time series, the disparities may be seen widening. In 1948, capping a phenomenal 10 year rise in earnings, average Nsgro wage income stood at 60 per cent of the white's. The increase was mostly accounted for by the Negro quitting southern agriculture in large numbers for the rising wages of war-propelled northern industries. Facing a rising labour demand, particularly in the unskilled jobs, Negroes often enjoyed greater relative gains than whites. To the incautious and the optimistic, the historical economic cleavage between Negroes and whites seemed about to vanish in post-war prosperity. Average Negro income after 1948, however, failed to achieve this promise and during the prosperous fifties it never climbed higher than 62 per cent of white earnings. By 1960 it still held at 60 per cent but in 1961 and 1962 the proportion fell to 57 per cent, then 55 per cent. Between 1960 and 1962, average Negro earnings actually declined by $ 50 while white income increased $350 (see Table 2).

"American Dilemma"

Gunnar Myrdal observed in 1944, in his classic study of the Negro, "The American Dilemma", that Negroes for the most part held unskilled and low-paid laboring jobs in service, farm and manufacturing industries. As the comparative income data suggests, only modest modifications of the occupational structure and distribution of the Negro work force have occurred in the past twenty years. U S Department of Labour classifications (see Tables 3 and 4) illustrate that Negroes have made some gains in the so-called "white collar" and semi-skilled occupations, but, as in 1940, they are usually dependent upon unskilled employment. Those observers awed by the rate of increase of Negro participation in better occupations have failed to note that the gains lose their meaning when compared to white gains and absolute white advantage.

Table 1 : Comparative Incomes of Negroes and Whites by Percent Distribution, 1960

	Total U S	White U S	Non-White U S
Poverty	*20.0*	*17.3*	*42.1*
Deprivation	*20.5*	*19.4*	*22.6*
Total Poverty and Deprivation	*40.5*	*36.7*	*64.7*

Source: U S Census Data, 1960.

The clustering of Negroes in marginal jobs has perpetuated the old generalization that the Negro is the first laid off in slack times and first to be replaced by technological innovations. Studies of the unemployment structure further reveal that Negro unemployment is of a longer duration, indicating the Negro is the last to be hired when economic conditions improve. The susceptibility of black Americans to cyclical downturns is apparent in that during all five major business declines since 1947. Negroes incurred greater unemployment rates than the national average. In four of the five recessions, average Negro income showed absolute declines, ranging from 14 to 3 per cent. Cyclical change had less effect upon white workers. Only in 1953 did white average earnings fall, then only a fraction of a per cent.

Automation and the Negro

Automation's effect upon the Negro is clear if more difficult to accurately calculate. The unskilled and labouring occupations, accounting for about three-quarters of the Negro work force have been most affected by technological change. While industrial production has increased 60 per cent since 1950, industrial labourers have decreased 9.6 per cent, farm labourers declined 40.2 per cent, and semi-skilled operatives increased only 6.4 per cent. The Negroes' transition to other employment has been difficult. Older workers have limited skills. For younger Negroes as well as younger whites, a new job is hard to find. Between 1958 and 1961, the civilian labour force grew by more than 3 million but less than 2.5 million new jobs were obtained. For the Negro less than 100,000 new private sector jobs were added and Negro unemployment shows the effect. While national averages have hovered between 4 8 and 6 per cent, Negro unemployment increased from 10 per cent in 1959 to 13 per cent in 1962. In some northern industrial cities where the Negroes found well-paying labouring jobs in the forties, rather inadequate unemployment data shows rates to be at least as high as 30 per cent.

Even if real occupational gains were made by a few, Negroes earned much less than whites in similar occupational skills. Among men, only private household workers, numbering 27,000 in the United States, received more income than their white counterparts. Among professional workers, Negroes earned about 65 per cent of white average incomes, semi-skilled averaged 58 per cent, and service workers about 60 per cent. The occupational wage structure is, of course, partially a function of historical racial bias. Yet, creation of wage parity for the Negro, *in vacuo*, may bring no net improvement. Much evidence suggests that wage hikes could only induce unemployment trade-offs in certain jobs—particularly in not yet automated industries.

The occupational wage differentials also reflect the lack of union organization among Negroes. To a large degree American unions have practised racial exclusion, but Negroes until recently showed little inclination to oppose this policy. Because of skill deficiencies and the relatively good pay of non-unionized industries or non-unionized occupations in which jobs were available to the flood of southern Negroes moving northward, labour organizations of the thirties and forties passed by the Negro. Labour's gains, however, were sometimes felt adversely by the Negro as wage increases were charged off against rigid or reduced non union labour wages or induced increased automation.

The biggest, and about the only, boon to the Negro employment situation in recent years has been government. Since 1956, local, state, and federal agencies have nearly doubled the number of non whites on government payrolls. By 1962, one of every seven employed Negroes worked for a governmental agency. But the prospect for a black civil service is not likely. In federal civil service, Negroes are more nearly clustered in the lower pay levels than they appear to be in the private sector.

How is the Negro's economic condition to be accounted for and what are its implications?

Not Racial Prejudice Alone

The first part of this question evokes an almost common response. To Americans and non-Americans, with attention focussed for half a decade upon the racial problems of the United States, the cause of this economic degeneracy is clearly racial prejudice. Years of discrimination have produced inadequate Negro educational facilities and, when education was equal, still have maintained occupational exclusion or wage differentials adverse to Negroes. However, to account for Negro poverty solely or overwhelmingly as a function of racial bias is a conventional wisdom that, true in the past, may only obscure analysis of the economic future of American Negroes. A closer examination of evidence of Negro impoverishment raises questions

Table 2: Negro and White Annual Wage and Salary Income Selected Years 1939-62

(Dollars)

Year	White	Non-White	N-W as % of White
1939	1,112	460	41
1947	2.357	1.279	54
1950	2,982	1,828	61
1953	3.760	2,233	59
1956	4,260	2.396	56
1959	4.902	2,844	58
1960	5,137	3,075	60
1961	5.287	3.015	57
1962	5,462	3,023	55

Source: U S Bureau of Census, "Current Population Reports" Series, p 60.

Table 3: Distribution of Employed Persons by Major Occupation Group, Colour, and Sex, April 1940 and April 1960

(Percentage Distribution)

Major Occupation	Wh Male 1940	Wh Male 1960	N-W Male 1940	N-W Male 1960	Wh Female 1940	Wh Female 1960	N-W Female 1940	N-W Female 1960
1 Professional & Technical	5.9	12.3	1.9	4 4	14.3	13.8	4.3	7.4
2 Managers & Proprietors	10.6	15.3	1.6	3.8	4.3	5.5	0.8	1.7
3 Clerical Workers	7.1	7.2	1.2	6.2	24.6	33.5	1.0	10.2
4 Sales Workers	6 7	6.4	0.9	1.6	8.0	8.2	0.6	2.2
5 Craftsmen & Foremen	15.5	19.9	4.4	9.0	1.2	1.1	0.2	0.7
6 Operatives (semi-skilled)	18.8	18.7	12.2	23.7	20.2	14.5	6.6	14.6
7 Labourers	7.5	5.9	20.5	21.9	0.9	0.5	0.9	0.8
8 Service Workers	5.8	5.7	12.4	14.7	11.3	13.8	10.5	22.5
9 Private Household Workers	0.2	0.1	2.9	0.5	10.8	6.3	58.0	37.3
10 Farmers & Farm Managers	14.0	5.9	21.3	5.4	1.2	0.7	3.2	0.3
11 Farmers & Labourers	6.8	2.6	19.9	8.6	1.2	2.2	12.8	2.4

Source: U S Department of Labour, Bureau of Labour Statistics.

about accounting for more recent Negro economic losses as primarily outgrowths of racial prejudice. Since 1940, the percentage of Negroes aged 7 to 24 years attending schools has increased from 55.3 to 72.8 per cent. This compares favourably with a white average of 75.1 per cent, although qualitative differentials must be admitted. Among Negro youth, unemployment remains high, 18 per cent of those under 24 years of age seeking jobs can find none. But associating this solely with racial inequalities in skills or hiring fails to explain a similar white unemployment rate of 13-14 per cent. Even before passage of the Civil Rights Act of 1964, most northern industrial states, where Negro economic losses have been particularly perplexing, had passed and enforced "fair employment" laws which at least eliminated the most vicious discriminatory hiring practices. There is no need to deny the ugly history of economic discrimination by race, its continued existence, and its residual effects upon the Negro; but a far more potent force, in part affecting the Negro's present well-being and certainly shaping his economic future, is the subtle and insidious stagnation of the American economy.

At the Roots: A Stagnant Economy

Analysis of stagnation except in general terms lies outside the framework of this paper, but the answer to questions of why the Negro is economically regressing can only be found in examining the shadowy outlines of an economy that at least since 1958 has exhibited a disappointing performance. This lagging economy, which has not attained a growth rate of 3.5 per cent during the five year period to 1963, has been marked, as the CEP study indicated, by an increasing maldistribution of income and by persistent high levels of unemployment and disguised unemployment. Even the unlikely boom of 1964, spurred by a tax cut and enormous business optimism has effected no significant changes in employment and income trends, despite GNP growth promising to exceed 4 per cent. Economists looking at this employment and income data have tended to explain stagnation either as a result of lagging aggregate demand or as the function of structural shifts in the intensity and distribution of labour demand and supply. Even a few have charged the problem to fundamental bankruptcy of traditional concepts of production and reward.

Of the explanations offered concerning American economic stagnation, two observations seem important. First, American public policy approach to problems of growth has remained unchanged. In his Yale University speech of 1961, President Kennedy called for the development of "unorthodox" economic thinking, but public policy has followed familiar conservative paths. Certainly the tax cut of 1964 was less qualitatively and quantitatively than "demand" proponents called for and the Johnson Administration's embarkation upon a one billion dollar "war on poverty" was inadequate for dealing with structural and technological employment dislocation.

Second, and of considerable importance, few of the examinations of economic stagnation, despite a plethora of statistical and journalistic studies, have dealt specifically with the Negroes' loss from economic stagnation. The Negro usually has been viewed in the same terms as other identifiable, impoverished groups such as the aged, the unskilled, the marginal farmer, etc. When he has been identified as a racial economic group, his economic condition has been dismissed logically over the long run when the now legally dead hand of discrimination gives up its hold. Quite properly, it has been pointed out that as the most recent arrival in the labour market, however long his residence, and as the newest aspirant to the affluent society, the perplexing problems of aggregate demand and structural change would haunt him whatever his colour. This, however, does not explain away present and short run trends with the Negro at the very bottom of the economic ladder. Despite the ebbing of formal and institutionalized economic and social discrimination and with improving skills, the Negro finds his immediate economic future little brighter than his past. To the Negro who knows he is poor there is little consolation in the argument that the "economy" and not his white neighbour is the cause of his poverty.

Explosive Potential

Economists, in ignoring the prospect of a racial economic class, have not halted the Negro's growing appreciation of the racial content of American poverty. Spurred by promised and real political gains, black America often demonstrates the now familiar restiveness of "rising economic expectations." The recent riots and disorders in northern cities, whatever their immediate causes, gave off vague rumblings about better living conditions and better jobs and they evinced a growing Negro consciousness of economic class.

Solutions to the Negroes' economic problem are obvious enough. Whatever else is demanded in terms of legal and political equality, economic improvement requires the adoption of public policy measures which will deal with such dilemmas as automation, lagging economic growth, and the structure of income distribution. However, resting the analysis on the obvious and the logical and waiting for some change in public attitudes to the widely unpopular policy alternatives is dangerous going. Such a posture fails to recognize that while attitudes are changing there is a great possibility of the Negro broadly perceiving himself as a militant economic caste or class, excluded from the economic system.

To the impoverished Negro, the logic of his poverty is irrelevant. While his

Table 4: Non-White Employment as Per Cent of Total Employment in Major Occupation Groups, by Sex, April 1940 and April 1962

Major Occupation	N-W Men as per cent of Employed Men		N-W Women as per cent of Employed Women	
	1940	1962	1940	1962
Total Employed	9.0	9.2	13.9	12.0
1 Professional & Technical	3.1	3.5	4.6	6.8
2 Managers & Proprietors	1.5	2.5	2.8	3.9
3 Clerical Workers	1.6	8.1	0.7	4.0
4 Sales Workers	1.4	2.5	1.1	3.6
5 Craftsmen & Foremen	2.7	4.4	2.3	7.6
6 Operatives (semi-skilled)	6.1	11.4	5.0	12.1
7 Labourers	21.2	27.6	—	—
8 Service Workers	17.4	20.7	13.1	18.2
9 Private Household Workers	50.0	46.0	46.5	44.7
10 Farmers & Farm Managers	13.1	8.5	30.2	5.1
11 Farm Labourers & Foremen	22.5	24.9	62.9	13.1

Source: U S Department of Labour, Bureau of Labour Statistics.

future depends upon solutions to national economic difficulties, present poverty merges with real past and present social inequality, and economic conditions are explained by the basically inadequate but easily generalized catchall of "discrimination." The problem projected by this confusion is that the approach to Negro poverty as a racial economic class question will lead to disappointingly inadequate or too revolutionary responses. Nevertheless, the Negro's economic status in America is observedly poorer than the white's. It will not be enough to set up some safe and valid syllogism stating in effect: "Most black Americans are poor, and perhaps getting poorer, although being black presently has very little to do with it."

The intensity of the Negroes' plight can neither be denied nor explained away. The implications of Negro poverty and America's failure to deal with it are apparent if unfashionable to admit. It puts the pragmatic, evolutionary nature of the American economic system to its most severe test as it demands attention now. The issue of Negro poverty can therefore become the vehicle for renovating the American economy or it may be the device for damaging if not destroying it.

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Cotton Textiles	Rs. 1,216 lakhs

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Relative Rates of Growth

A Comment

P K Upadhyaya

In his article "Agriculture and Industry: Relative Rates of Growth" (The Economic Weekly, November 7, 1964) Ashok Rudra has attempted to calculate what he considers to be alternative sets of "balanced" rates of growth. He has also tried to show in quantitative terms, some major consequences of deviations from these rates.

However, Rudra has tried to tackle the problem at a highly aggregative level, using techniques of analysis which are more appropriate to handle static than dynamic problems.

This has led to results which give a distorted view of reality.

THE relative balanced growth rates of X_1 (agriculture and major consumer good industries), X_2 (mainly producer good industries) X_3 (others including transport and power generation) have been derived from the following set of simultaneous equations:

$$(1-A)X = h_i + g_i + S_i + C_i - m + k$$

where A is the technology matrix and h_i, g_i, etc, the usual components of the bill of financial consumption for the year 1970. K stands for capital formation which is split up into K_d (capital formation financed through domestic savings) and K_f (capital formation financed through foreign savings). K_f is eliminated by assuming that any difference between imports and exports will be met by external assistance. K_d is assumed to be a constant proportion of total household expenditure $\theta(h_1 + h_2 + h_3)$. h_1, h_2 and h_3 are eliminated by substituting the values of h_2 and h_3 (in terms of h_1) as obtained from the linear expenditure system, for h_1 and h_2. Finally from the system of equations X_2 and X_3 are calculated in terms of X_1 to show their balanced proportions.

Dependence of Sectors

The assumption that any gap between total investment and domestic savings will be covered by external savings, does not accord with reality. This makes the growth of sector 2 to a very great extent independent of the growth rate of sector 1. Actually however it is not so. Though technologically the former is independent of the latter, it is not so due to another reason. As the bulk of the essential consumer goods are produced in sector 1, the working force engaged in the production of sector 2 are dependent for the supply of their consumption goods on sector 1. The transfer of a part of the total claims of the labour force of sector 1 over consumer goods, to the labour force sector 2 takes place through the mechanism of savings (both voluntary and forced). Hence the rate of savings in sector 1 becomes a crucial factor in determining the growth rate of sector 2. The growth rate of sector 2 is also dependent on its own rate of savings as with a given amount of consumer goods and wage rates, labour units which can be employed for the production of capital goods, increases with the increase in the rate of savings.

It may be argued that in the model the introduction of the term $\theta(h_1 + h_2 + h_3)$ in the equation which lays down the conditions of production of X_2, serves to make sector 2 dependent on its own level of savings as well as those of sectors 1 and 3. This overlooks the fact that $K = \theta(h_1 + h_2 + h_3)$ makes domestic savings as a *constant proportion of total* household expenditure. It follows from this condition that it is possible to expand sector 2 to an indefinite extent without changing the values of θ if it could be assumed that any difference between investment requirements and domestic savings can always be met by foreign aid. But if a limit is placed on foreign assistance growth of sector 2, becomes dependent on θ and therefore it has to be treated as a variable and not a constant as has been done in the model. In a dynamic model in which different sectors of the economy are treated as interdependent and the rate of savings is treated as a variable of the system any change in the level of price could be completely ruled out as long as investment is equated with savings.

In order to find out the effect of excessive growth of manufacturing industries in relation to a slow growth of agriculture another model with a different commodity classification (food grains, other food, and non-food products) has been constructed. Here again adopting the same assumption and methods of elimination as used in the previous model H_1, H_2, H_3 (household expenditures on food grains, other food, and non-food products) are expressed in terms of X_1, X_2, and X_3. Then presumably substituting the values of H in terms of X_i, in the system of equations comprising the linear expenditure system, p_1, p_2 and p_3 have been expressed in terms of X_i to estimate changes in relative prices when X_i grow at different rates.

Price Impact of Imbalance

The estimated rise in the price of agricultural goods relative to industrial products when the growth rate of the industrial sector is smaller than the so called balanced rate, could be mainly attributed to pattern of production being not in conformity with the pattern of consumer demand. The pattern of demand here refers to one which was obtained during the period for which consumption data has been used in estimating the constants and parameters of the linear expenditure system. The validity of the results depends not only on the extent to which theoretical estimates agree with the observed values but also on the extent to which the changes in the independent variables (relative quantities of different consumer goods) made to predict changes in the dependent variable (prices), fall within the range of variations in the observations. An increase of 159 per cent (at the rate of 10 per cent during 1960-70) in the output of industry against 22 per cent increase (at the rate of 2 per cent during 1960-70) in the output of agriculture cause such a great change in their relative magnitudes, that the model may be incompetent to make valid predictions about their relative prices, on the basis of these changes.

The main purpose of the exercise is to show what is likely to happen if we go in for an ambitious growth rate in agriculture and industries and are actually able to realise only a smaller growth rate of the former. According to Dr Rudra's findings if we succeed to achieve a growth rate of 10 per cent for industries and 3 per cent for agriculture we will have to face a tremendous rise

in agricultural prices relative to industrial prices. One can as well say that in spite of all efforts even if we fail to step up agricultural production beyond 3 per cent, as the population is not likely to grow at a faster rate than 2 per cent the present level of per capita food consumption is not likely to fall. On the other hand a large increase in industrial production will ensure to the consumer more per capita non-food-consumer goods. Through proper price management it is not difficult to deal with a situation where the consumer is assured of amount of the food intake he is already taking and an increased amount of other consumer goods. If the choice is between no increase in per head food consumption in either case, and smaller per capita consumption of non-food products in one case and a large per capita consumption of non-food products in another case, surely the latter should be preferred.

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From the Chair

The Life Insurance Corporation of India

Statement by the Chairman, Shri BK Kaul, ICS

THE following is the Statement of Shri B K Kaul, I C S, Chairman, The Life Insurance Corporation of India, at the One-Hundred-and-Second Meeting of the Corporation held in Bombay on November 30, 1964:

The draft of the Annual Report and the Statement of Accounts for the period 1st April 1963 to 31st March 1964 have been circulated and are now before us for consideration.

The country suffered an irreparable loss in the sad and sudden demise of Jawaharlal Nehru. At its meeting held on 29th June, 1964, the Corporation passed a resolution placing on record its deep sense of sorrow at the passing away of our beloved Prime Minister. The Corporation was proud to recall the privilege of having him on 26th December, 1963 in Bombay to declare open its new headquarters, 'Yogakshema', and his inspiring words on that occasion which would guide the Corporation in carrying on such activities from 'Yogakhema' as would contribute its humble share in the various tasks of national reconstruction so dear to him.

New Business

During the year under review, our new business amounted to Rs 703 crores under 16.46 lakhs policies as against Rs 746 crores under 17.68 lakhs policies in the previous accounting period. As that period comprised of 15 months while the period under review covered 12 months only, a direct comparison of the figures is not possible. However, the new business performance during the year under review may be evaluated by comparison of business completed in the period 1st April 1962 to 31st March 1963. During this period the Corporation completed a business of Rs 708 crores. There has thus been a slight reduction in new business.

The rise in the cost of living during the year under review as also the introduction of the Compulsory Deposit Scheme, which affected the tax-payers, had their inevitable repercussions on our business. In addition to this, natural calamities like famine conditions in some parts of the country and excess rainfall in others also had their adverse effect on our business. The shortfall in business is only marginal and, in the context of the prevailing conditions, the achievements should be considered as fairly satisfactory.

First Insurances

As many as 11.54 lakh policies, forming 70.5% of the total policies issued during the year, were taken by persons who were insuring for the first time. The corresponding figure for the previous accounting period of 15 months was 12.22 lakhs policies, being 69.5% of the total policies issued. This confirms the trend of growing insurance consciousness and gives satisfaction that the message of insurance is being taken to more people who have hitherto not availed of life insurance protection for their families.

Rural Business

5.85 lakhs policies assuring Rs 209.40 crores were issued to people in rural areas. The corresponding figures for the accounting period of 15 months ending 31st March, 1963 being 6.77 lakhs policies assuring Rs 233.45 crores. The classification of urban and rural areas is the same as adopted in the 1961 Census.

The scheme for collection of premiums through selected Post Offices in rural areas, where banking facilities do not exist, which was operating in Jaipur District of Rajasthan, has since been extended to the whole State of Rajasthan. The Postal authorities have also agreed to extend the scheme to the States of Andhra Pradesh, Kerala, Madras and Mysore, and the details are being settled.

Offices

As on 31st March, 1964, we had offices in 251 out of the 316 districts and in 5 out of 10 Union Territories in India. We also had Development Centres in 32 of the remaining districts and in one of the Union Territories. The programme for 1964-65 is to open 2 Branch Offices, 3 Sub-Offices and 17 Development Centres.

Non - Medical Business

During the year 7.21 lakhs policies assuring Rs 164.87 crores were issued under the Non-Medical Schemes: 2.38 lakhs policies assuring Rs 36.36 crores being under the Non-Medical General Scheme and 4.83 lakhs policies assuring Rs 128.51 crores under the Non-Medical Special Scheme. It may be mentioned that under the Non-Medical Special Scheme, proposals are entertained for amounts upto Rs 10,000 from special categories of persons in civil employment and also category A-1 of commissioned officers in the Armed forces.

Salary Savings Scheme

Under the Salary Savings Scheme, we issued during the year under review 2.71 lakh policies assuring Rs 81.47 crores as against 1.93 lakhs policies assuring Rs 61.03 crores during the previous accounting period of 15 months. I am glad that the scheme is proving popular with the employees and employers in general. More and more employees are coming forward to make the premium deduction a first charge on their salaries, thus ensuring insurance protection for their families with least inconvenience to themselves.

I am happy that in addition to the existing scheme for employees of Kerala State Government, satisfactory arrangements were made with the Governments of Rajasthan and Punjab for introducing the Salary Savings Scheme amongst their employees. In July 1964, similar arrangements have been made with the Government of Orissa.

Group Insurance and Group Superannuation Schemes

New Business amounting to Rs 12.30 crores was written during the year under the Group Insurance Schemes and under the Group Superannuation Schemes. Life Annuities of Rs 2.86 lakhs per annum were granted. The comparative figures for the previous 15 month-period were Rs 10.49 crores and Rs 5.05 lakhs respectively.

Business in Goa

The policies issued by the erstwhile Portuguese Companies to Indian citizens resident in Goa, Daman and Diu vested in the Corporation as from 8th June 1962, which has been fixed as the Appointed Day while applying the Life Insurance Corporation Act to these territories vide notification issued on 29th February 1964 by the Government of Goa, Daman and Diu. How to meet the deficit in respect of this business is being discussed with the Central Government.

Foreign Business

During the year the Corporation issued 8,532 policies assuring Rs 10.21

crores in the foreign countries where it is operating, as against 9,498 policies assuring Rs 11.24 crores during the previous accounting period of 15 months. For the sake of comparison, it may be mentioned that during the period April 1, 1962 to March 31, 1963 the Corporation issued 8,885 policies assuring Rs 10.58 crores. The slight set-back in the business is due to a shortfall in business in Mauritius and East Africa. At other places there was satisfactory progress.

Business in Force

The total business in force as at 31st March 1964 was Rs 3,571 crores under 103.28 lakhs policies as against Rs 3,165 crores under 95 lakhs policies as at March 31, 1963, thus recording 12.8 per cent increase during the year under review. I may mention that the business in force as at 31st March 1964 is almost three times the business in force of all the Insurers taken together as at 31st December 1955.

Lapse Ratio

The ratio of lapses to mean business in force was 8.2% during the year as against 8.1% during the period 1st January 1962 to 31st March 1963. The impact of the general economic conditions and of the Compulsory Deposit Scheme on the saving capacity of the insuring public would be expected to have an adverse effect on the lapse ratio. From the very slight increase in the lapse ratio, it appears that the various steps which the Corporation took to control lapses are bearing fruit and the rising trend has been arrested.

Valuation

During the year the Fourth Valuation of the Corporation's business as at 31st March 1963 was completed. Usually the Corporation's business is valued biennially but consequent upon the change in the accounting year of the Corporation, it was decided that the Fourth Valuation should cover the 15 month period ending 31st March, 1963. As a result of this Valuation, Rs 25.03 crores were allocated to the participating policies. The rates of reversionary bonus allowed to the policies issued by the Corporation were increased from Rs 16 per thousand sum assured per annum to Rs 17.50 per thousand sum assured per annum in the case of Whole Life Policies and from Rs 12.80 per thousand sum assured per annum to Rs 14 per thousand sum assured per annum in the case of Endowment Policies. In the case of policies issued by the erstwhile insurers corresponding increased bonuses were allowed in accordance with the scheme of differential bonuses.

Underwriting of Female Lives

As a result of the review of the conditions for grant of assurances to female lives, a new categorisation for grant of such assurances has been adopted and Joint Life Assurances on the lives of husband and wife have been re-introduced, subject to the condition that both should be earning and the amount of insurance should be commensurate with their separate incomes.

Premium and Other Income

The premium income for the year under review amounted to Rs 146.32 crores against Rs 150.38 crores in the previous accounting period of 15 months.

The total income for the year under review was Rs 179 crores as against Rs 185 crores during the previous accounting period of 15 months.

Life Fund, Investments, and Total Assets

The Corporation's Life Fund as at 31st March 1964 was Rs 808.36 crores, registering a handsome rise of Rs 88.80 crores over the adjusted Life Fund at the beginning of the year.

Of the total investments in India of Rs 707.60 crores, the Public Sector accounted for 75.5%, Co-operative Sector 4.3%, the Joint Sector 1.0%, and the Private Sector 19.2%. During the year, 70 new issues were agreed to be underwritten to the extent of an aggregate sum of Rs 13 crores.

The total assets of the Corporation as at 31st March, 1964 amounted to Rs 880.57 crores as against Rs 785.94 crores as at 31st March, 1963. The net increase in the assets of the Corporation, since its inception, amounted to Rs 466 crores.

Rate of Interest

The income from interest, dividends and rents before deduction of income-tax was Rs 38.25 crores as against Rs 39.38 crores during the 15 months ended 31st March, 1963. The gross rate of interest realised on the mean Life Fund was 5.11% per annum as against 4.76% per annum during the previous accounting period.

The net rate realised was 4.07% per annum against 4.08 per annum during the previous accounting period. The net rate of interest has not increased commensurately with the increase in the gross rate due to the fact that a refund of tax of about Rs 4.04 crores in respect of the previous accounting period had not been received in the year as the income-tax assessment of the Corporation had not yet been finalised. If this refund of tax of Rs 4.04 crores had been received in the year, then the net rate of interest would have been 4.61%.

Expense Ratio

The overall expense ratio for the year has come down to 27.5% from 29.3% in the previous accounting period of 15 months. The Renewal Expense Ratio has also come down from 14.13% to 12.46%. This is gratifying because the reduction has been achieved in spite of the increase in salaries and allowances of employees in Classes II, III and IV.

Claims

During the year the claims inclusive of bonus additions amounted to Rs 33.86 crores under matured policies and Rs 10.80 crores under policies becoming claims by death. The total claims for the year amounted to Rs 44.66 crores as compared with Rs 43.96 crores in the previous accounting period of 15 months. The outstanding claims as at 31st March 1964 amounted to Rs 14.91 crores as against Rs 13.55 crores as at 31st March 1963.

The percentage of outstanding claims as at the end of the accounting period to claims arising during the period has been gradually coming down. It was 49.9% for the year 1959, 40.8% for the year 1961 and 33.4% for the year under review. We are constantly endeavouring to reduce delays in settlement of claims. During the year a "Service to Claimants Campaign" was initiated and our Branch Managers and Assistant Branch Managers called on a large number of claimants personally to render them assistance for early settlement of claims. This form of service to the claimants will be rendered as a part of the normal settlement procedure hereafter. I hope that our efforts will bear fruit and with the co-operation of the public we shall be able to speed up claim settlement.

Building Activities

During the year, apart from the Divisional Office at Varanasi and buildings at other places, our Central Office building "Yogakshema" was completed and was opened at the hands of the late Prime Minister, Jawaharlal Nehru.

Mortgages

As I mentioned in the last Report, the "Own Your Home" Scheme came into operation from the 1st January, 1964 at 26 centres. It has since been extended to further 49 centres and it is proposed to extend it to two more centres from the 1st January 1965. The earlier scheme for grant of loans

on immovable properties which was in operation in 26 centres was extended to 10 more centres.

In addition to the schemes mentioned above, we are advancing loans to State Governments for financing the Middle Income Group Housing Schemes, the Rental Housing Schemes, the Village Housing Project Scheme, the Low Income Group Housing Scheme, the Plantation Labour Housing Scheme and Land Acquisition and Development Scheme. Loans are also granted to Co-operative Societies formed by employees of the Corporation and a scheme has been introduced for grant of loan to individual employees of the Corporation for purchase or construction of houses. The total assistance given by the Corporation to housing development under these various schemes upto 31st March 1964 amounted to Rs 62.78 crores.

Publicity

The Corporation continues to do vigorous publicity work both in the urban and rural areas, using a wide variety of media. Emphasis is being placed on outdoor publicity and use of audio-visual media in the shape of films, slides, and slide-ons exhibited in 2,500 theatres throughout the country and through the Corporation's publicity vans and projection units in the outlying rural areas. I am proud to mention that the total publicity effort has won for the Corporation the I S A-Khatau Gold Medal awarded by the Indian Society of Advertisers. The presentation is being made today at the hands of Smt. Indira Gandhi, Union Minister for Information and Broadcasting. I am also happy to mention that the Corporation's House Magazine, 'Yogakshema' was awarded the first prize in the category of English periodicals (other than Annuals) at the Ninth State Awards instituted by the Ministry of Information and Broadcasting.

General Insurance

Implementing the decision taken during the year under review, with the approval of the Central Government, the Corporation has started transacting all kinds of General Insurance business from 1st April 1964. We can now look forward to giving complete and comprehensive insurance service to the public to suit their varying needs. I may mention that although the Corporation is not a member of the Tariff Committee of the Insurance Association of India, we have adopted the tariff rates for the present. It is, however, open to us to revise the rates in due course in the light of our own experience.

Electronic Data Processing

The Corporation has decided to install two Computer Systems, one at Bombay and the other at Calcutta. These machines will ultimately replace the existing Adrema and Punch Card machines and are expected to do the job more efficiently yielding more information to the management to bring about an improvement in the servicing to policy-holders and agents. I may reiterate that this decision will not lead to any retrenchment in the existing staff.

Organisational Set-up

A re-organisation scheme was prepared during the year and it was to be implemented in stages. Since representations were received from members of the public, from institutions and other bodies, further steps in the implementation of the scheme have been deferred. In the meantime, a review of the scheme, in the light of the points raised in the representations is being made.

*I have always received sincere co-*operation and valuable advice from my colleagues on the Board and on the Investment Committee. I offer my grateful thanks to them. I take this opportunity to record my appreciation of the services rendered by the officers and staff at all levels. It is their services which have solely contributed to the fine results achieved by the Corporation. Finally, I thank all agents who have done such excellent work in spreading the message of insurance to the people.

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Around Bombay Markets

Dalal Street at New Low

Thursday Morning

EQUITIES continue to drift lower and the crisis of confidence is deepening with the decline in prices. Last week's further fall in equity prices took the market within three per cent of its 1964 low and quite a few counters, which included some market leaders, struck altogether new lows for the year. Rayon shares have been worst sufferers in the current downward trend. Even South India Viscose which has a record of excellent performance to its credit is quoted at a small discount. And as for Baroda Rayon and Indian Rayon, the less said the better, the former is quoted around Rs 60 and the latter around Rs 50; both the shares are Rs 100-paid. Automobile shares come next to Rayons even though the corporate news here is not bad. Steels and Engineering shares have also suffered sizeable losses in spite of the fact that these industries are doing fairly well.

The corporate news which continues to be encouraging has long since ceased to have any significant impact on the market. Several factors contributed to the further deterioration in the stock market sentiment last week. The Finance Minister Krishnamachari's emphasis on the need for mobilisation of resources for the Fourth Plan and his hint that some indication of the advance action might become available from the forthcoming February Budget were interpreted to indicate that the Budget would provide no fiscal relief. The FICCI representatives who had discussions with the Prime Minister on the economic situation and the continuing slump in the capital market returned without any promise or hope of any early fiscal relief. This caused considerable disappointment in the market which had somehow begun to hope that some positive good would come out of this meeting and that the Government would not delay action to tone up the capital market. The amendment to the Wealth Tax Act and the Finance Minister's statement that the Government would get very near to mastering the problem of black money in a year or two had also an unsettling effect on the trading sentiment. The ten per cent cut in the foreign exchange allocation to actual users for the second half of the current year was also viewed with a measure of anxiety.

The decline in equity prices does not fully reflect the stock market's agony. The stock exchange community is far more worried over the marked shrinkage in the turnover. The majority of stockbrokers is finding it difficult to meet office expenses, which, in most cases, are on the fairly low side. It is quite possible that a few brokers might feel obliged to give up the profession and take to some other vocation if activity on the stock market does not revive in the near-distant future. If it were merely a change in the nature of activity which was worrying the stock exchange community, it would be a different matter. But the total turnover itself has shrunk, notwithstanding the marked increase in the number of securities listed on the stock exchange. The crisis of confidence in the capital market presents a sharp contrast to the boom in commodity markets. That the stock market should be facing a crisis of confidence in an inflationary situation is a matter of very serious concern which the authorities cannot afford to ignore for too long.

Cotton

Futures Turn Irregular

REPORTS that the authorities are feeling concerned over soaring cotton prices have induced some caution in the cotton market. Prices did not register any new highs last week. After touching the pre-delivery ceiling of Rs 775, cotton futures have turned irregular. The March contract moved somewhat erratically between Rs 775 and Rs 766 and closed at Rs 770.50 against Rs 771.75 a week ago. In the spot market, the unofficial premiums registered a small setback as spinners were reluctant to make fresh purchases at ridiculously high prices. With farmers continuing to sit tight on their stocks because of the growing inflationary psychology, arrivals into the markets continue to be restricted. Informed circles are convinced that the restricted flow of arrivals is due essentially to growers' unwillingness to part with their produce; the 1964-65 cotton crop is generally believed to be better than in the previous season.

That the Government should continue to remain an idle spectator when spot cotton prices have pierced the statutory ceiling is really intriguing. The feeling is gaining ground that the Government is not taking any firm action to enforce the price control order because that would displease the farmers. This is most unfortunate. If the price ceilings are not to be strictly enforced then why not scrap price control. Fortunately, the supply position of cotton is far from being uncomfortable and it is easy to bring down prices to reasonable levels. Introduce compulsory survey, enhance margins against cotton advances and introduce the quota system for the purchase of indigenous cotton by mills. Once this is done, all the premiums on cotton will quickly disappear. And if early arrangements are also made for importing sizeable quantities of cotton from abroad, cotton prices could come down quite substantially, increased mill consumption notwithstanding.

The Government must act and act quickly if its is to succeed in holding prices of controlled varieties of cloth around the current levels. It is comforting to hear that negotiations are underway for importing 50,000 bales of Pakistani cotton which is nearly Rs 200 to Rs 250 a candy cheaper than comparable Indian cotton. Timely imports can have a significant impact on the trend of domestic cotton prices which have soared to fantastic levels.

Oilseeds

Futures at New High

AFTER a small early setback caused by precautionary corrective profit-taking, oilseeds futures developed remarkable strength on hectic short covering and renewed bull support. On Wednesday, December 2, castor and linseed futures hit their ceilings and groundnut futures moved beyond the second marginal line whereby bulls are required to pay a penal margin of Rs 10,000 per 25 tonnes (the smallest unit of trading) on their entire purchases as the facility of free limit has been withdrawn. Early in the week, castor March were done down to Rs 186.25 but the quotation improved to Rs 190 (the ceiling till the end of January) by the week-end. During the same period, linseed March recovered from Rs 43.75 to Rs 45 (per 50 kgs) and cottonseed January rose from Rs 112.50 to Rs 116 (per 250 kgs). Ground nut January which had eased from Rs

102.40 to Rs 99.50 rose to Rs 103.25 (per 100 kgs) at the week-end.

The bullish fervour has been stimulated by the unsatisfactory flow of new crop groundnuts in Bombay due primarily to the ban on the export of groundnut by the Gujarat Government. Gujarat has permitted the export of groundnut oil from the State but the movement of seed outside the State is banned. In the absence of normal supplies of groundnut from Gujarat, crushers in Bombay are being obliged to pay fancy prices for seeds. Sentiment in the oilseeds market has also been aided by reports that the arrival of soyabean oil from the U S is likely to be delayed considerably. Order for only 25,000 tons of soyabean oil is reported to have been placed for the time being and the rest of the quantity will be spread over a period of about six months. And what is more, it is quite probable that all the 75,000 tons of soyabean oil which the U S has agreed to give under P L 480 might not be imported. The steep rise in the price of soyabean oil in recent months has made this oil unattractive. The vanaspati industry, it is said, will prefer cottonseed oil to soyabean oil. Meanwhile efforts are being made to secure a larger quantity of tallow under P L 480 for the soap industry. The prevailing high prices of groundnut and other oils reflect a temporary imbalance between supply and demand arising mainly from the restricted movement of the new groundnut crop which in turn reflects unwillingness on the part of growers to part with their produce. The price situation might easily get out of control if the Government does not take strong measures to discourage holding and hoarding of stocks at all levels.

Export houses reported very good business in groundnut extractions and cottonseed cake at rising prices. The U K and Communist countries remain keen buyers of Indian groundnut extractions and the prices paid by the U K have risen by about £2 per ton over the past fortnight or so. Export business is said to be limited essentially by the availability of supplies. Export business in oils continues to remain at a standstill.

Money Market

Thursday morning

AFTER an inactive fortnight, the money market was a beehive of activity from the beginning of this week. The inter-bank call money rate suddenly spurted from one per cent to 2.5 per cent on Monday, to 4.5 per cent on Tuesday and to 5 per cent on Wednesday. The glut of funds in and around the market noticed earlier was no more seen; on the contrary, borrowers had to search for accommodation offering any rate demanded. The Calcutta market was highly erratic with an hour-to-hour rise or fall according to demand and supply. Sympathetic reactions were noticed in Madras also though with transactions few and far between, and the call money rate ultimately perched at 4.75 per cent.

Why this sudden outburst of demand, drying up all floating funds and pushing up the money rate? It is stated that month-end demands, heavy quarterly tax payments and large withdrawals for special requirements all coincided to make a more-than-expected inroad into the resources of banks. Beginning-of-the-month requirements have yet to be felt and will also press heavily on the cash balances of banks. Barring these developments, the stringency and tightness do not seem to have stemmed from any sudden impact of the busy season. However, it is unlikely that conditions will revert now to the one-per cent era. Funds which have gone out of the banking system will take time to flow back. Before that happens, the busy season will pick up and year-end requirements will also exert some pressure on the market. By this time last year, the inter-bank call rates had already started moving up to 3 to 3.5 per cent. With a higher Bank Rate and additional restrictions against borrowing now, there is no reason why money should jingle about cheaply.

Latest scheduled banks' returns for the week ended November 20, explains the prolonged lull in the call money market till last week-end. Aggregate deposits rose by Rs 22.94 crores while bank credit fell by Rs 4.90 crores. Scheduled banks' borrowings from the Reserve Bank were further reduced by Rs 1.46 crores to a mere Rs 82 lakhs. A sum of Rs 9.24 crores sought investment in Government securities. About Rs 2.99 crores flew into the call money market raising the overall 'Money at call and short notice' to Rs 80.10 crores, as against Rs 66.15 crores last year by this time, and keeping down the call rate at 1 per cent.

Business Notes

Premier Automobiles

PREMIER Automobiles has reported better results for the year ended June 30, 1964. Sales of cars, trucks and spare parts increased by about Rs 4 crores to Rs 24.10 crores. Gross profit after providing depreciation at Rs 76.95 lakhs (Rs 63.47 lakhs) stood higher at Rs 79.57 lakhs compared with Rs 55.33 lakhs in the previous year. The rise in sales is not, however, fully reflected in profits, and this, the Directors say, is due to higher wage bill, rise in cost of raw materials and higher rates of interest.

Development rebate reserve which absorbed Rs 17.00 lakhs as against Rs 13.75 lakhs and taxation provision which needed Rs 33.50 lakhs as against Rs 19.15 lakhs squeezed the balance of profit still further to Rs 29.07 lakhs being only Rs 6.63 lakhs more than in the previous year. While the Profit and Loss Appropriation Account got a benefit of Rs 7.35 lakhs by way of excess provisions in respect of previous years, expenses and claims relating to previous years took away Rs 16.04 lakhs. In the event, no amount could be transferred to General Reserve as against Rs 15.00 lakhs last year, but a sum of Rs 20.10 lakhs has been taken to Dividend Reserve to which the balance of Rs 10.00 lakhs at the credit of Dividend Equalisation Reserve has been added raising the Dividend Reserve to Rs 30.00 lakhs. The Directors propose to utilise this amount for paying dividend at 4 per cent (nil) for the year which will absorb Rs 29.00 lakhs.

The number of cars sold by the Company during the year was less at 4,083 (4,350 in the previous year), but trucks sold were more at 6,711 (5,712). Spare parts sold fetched Rs 2.55 crores (Rs 1.92 crores). During the four months ended October 1964, the Company has sold 967 cars and 3,648 trucks and spare parts worth Rs 60.53 lakhs as against 1,325 cars, 1,946 trucks and spare parts worth Rs 58.47 lakhs during the corresponding period last year.

With the commissioning of the Press Plant at Kalyan, involving a capital expenditure of Rs 5 crores, and the installation of balancing equipment at Kurla, the Company will reach about 90 per cent indigenous content in trucks and 74 per cent in Fiat cars.

Lalchand Hirachand, Chairman of the Company, in his statement accompanying the Report states that the lower profitability of Premier Automo-

biles has been primarily due to a price disadvantage of Rs 2,000 in the case of a PAL truck and about Rs 900 in the case of a Fiat car when compared with the prices fixed for other comparable vehicles. Although the Company is now in a position to launch on its expansion programme for the manufacture of 15,000 commercial vehicles and components, the Chairman feels that the necessary finance can be raised only if the Company can earn enough profits to provide for a reasonable return to the investor and for a plough back as reserve. He has, therefore, urged the Government to review and relax the existing price controls on vehicles.

Scindia Steam

SCINDIA Steam Navigation's freight earnings fell by Rs 56 lakhs to Rs 17.13 crores during the year ended June 30, 1964. Including other receipts the total income aggregated Rs 17.65 crores which was lower by Rs 57 lakhs than in 1962-63. Expenditure, including operating costs, amounted to Rs 16.30 crores compared with Rs 16.84 crores. Profit before taxation stood at Rs 134.46 lakhs as against Rs 138.24 lakhs. As taxation provision absorbed only Rs 22.50 lakhs as against Rs 68.00 lakhs in the previous year, profit after taxation was higher by Rs 41.72 lakhs at Rs 111.96 lakhs. But the Company had to provide Rs 97.50 lakhs for Statutory Development Rebate Reserve with the result that the balance of profit dwindled to Rs 14.46 lakhs (Rs 61.24 lakhs), which together with the amount of Rs 7.74 lakhs brought in from last account amounted to Rs 22.20 lakhs. A sum of Rs 50.00 lakhs was transferred from General Reserve to raise the disposable amount to Rs 72.20 lakhs and to disburse therefrom Rs 70.40 lakhs as dividend at the rate of Rs 1.25 (Re 1) per share of Rs 20.

The Directors' Report states that there was a sustained improvement in the general level of overseas tramp freight rates during the year. In liner trades, there was an increase of 10 per cent in the rates from India to U K-Continent. The higher rate on east coast-USA freight was effective from October 1963, and that on west coast-USA freight from March 1964. In the east-bound trade there was an increase of 10 per cent from U S ports to India as from July 1963. While the voyage results partly reflect the increased freight, the continued upward trend in operating costs has tended to offset the benefit. However, it has been possible to retain to some extent the advantage of the freight increases.

The improvement noted earlier in the year in respect of coastal services was offset by delays due to disturbances in Calcutta and reduction in the availability of coal cargoes in the latter part of the year. The Directors apprehend that coastal operations will continue to be unremunerative unless the freight structure is revised upwards.

Sirpur Paper

SIRPUR Paper Mills has fared much better during the year to June 30, 1964. Net sales rose sharply from Rs 3.40 crores to Rs 5.20 crores. After providing Rs 40.89 lakhs (Rs 32.46 lakhs) for depreciation, the gross profit realised was Rs 63.72 lakhs compared with Rs 5.94 lakhs. But provision for development rebate reserve absorbed Rs 53.00 lakhs as against Rs 3.00 lakhs in the previous year. Hence the balance of profit was down to Rs 10.73 lakhs, but was nevertheless more than the previous account's profit of Rs 2.94 lakhs. By writing back Rs 41 lakhs from development rebate reserve, and including other adjustments, the disposable amount was raised to Rs 53.09 lakhs from which Rs 3.00 lakhs were allocated to Contingency Reserve, Rs 11 lakhs to General Reserve, Rs 5.53 lakhs for preference dividend and Rs 32.78 lakhs for Ordinary dividend at Rs 1.20 per share of Rs 10 inclusive of an interim dividend of 35 P already paid.

The Company's production rose from 24,000 tons to 36,000 tons during the year. The increased production enabled the Company to maintain cost of production and profits, in spite of a general rise in the cost of raw materials, chemicals, wages, etc. The Company has placed orders for certain indigenous equipment for effecting improvement in the existing plant. It has also applied to Government for foreign exchange for substantial expansion of the Mills to be effected in collaboration with Kimberly Corporation of U S A.

Delhi Cloth

DELHI Cloth & General Mills has now completed 75 years of successful and progressive working. From a small beginning, the Company has now become one of the seven biggest companies in the country. The late Lala Shri Ram was its chief architect. The fall in net profits of the Company despite an expansion in gross profit is attributed by Lala Bharat Ram, Chairman, to the large investments made in new industries which on account of the need to provide for initial depreciation and development rebate, have yet to contribute to the earnings of the Company.

All units of the Company did well during the year except the sugar unit which in common with other units in the industry suffered. The Company's PVC Plant is now in full production although production is likely to fall on account of a cut in electricity by the Rajasthan Government. The Company is, however, making efforts to find a solution to this problem of power supply. The Rayon tyre cord plant will start operations shortly.

In his speech at the Annual General Meeting held on November 24, Dr Bharat Ram attributed the spurt in prices of agricultural commodities to shortfalls in production on the one hand and excessive spending by Government on non-productive purposes on the other hand. He felt that the farmer should have adequate incentives to produce more and be provided with adequate facilities at the right time. He suggested that industrialists, at least those who run industries primarily based on agriculture, should take direct interest in agriculture and apply to agriculture the techniques that are employed for the successful running of industries. The Fourth Plan outlays must be such that they should augment productivity. A mere enlarged expenditure without concentrating efforts on increasing production and controlling prices will not be of any avail.

Referring to the present slump in the capital market, he pointed out that the major factor which led to the freezing of the flow of finance from the public was additional taxation, particularly in the budget for 1963-64, which is likely to yield about Rs 800 crores more than the provision made for the Third Plan period. While the diversion of funds to Government has depleted the investible funds in the private sector, a large part of what flowed to the Government was dissipated by it in uses which did not increase the productive capacity of the country. To this extent, growth of national income has been suppressed and the generation of investible finance has been lessened. Borrowing from the capital market would have been a better alternative. Establishment of newer financial institutions will deter the growth of normal channels which alone can sustain development. If industry depends on financial institutions, these institutions will virtually assume an unhealthy dominant position.

Indian Oil Corporation

THE Indian Oil Corporation which has been formed by the merger of Indian Refineries and the Indian Oil Company on September 1, 1964 has netted a substantially higher profit of Rs 104.77 lakhs for the year ended June 30, 1964, as against Rs 62.41 lakhs in the previous year, yielding a return of 21.1 per cent on the equity capital as against less than 20 per cent in the previous year. The net profit after taxation gives a return of 16.8 per cent. While sales of oil products and petroleum coke were almost doubled, the operational costs came down from Rs 30.16 per kilo litre in 1962-63 to Rs 29.21 in 1963-64.

The Company has increased its tankages at installations and depots and built many new depots during 1963 64 and this has enabled the Corporation to effect larger sales. The Corporation is now confident of selling more than two millions kilolitres with its existing facilities.

P A Gopalakrishnan, Chairman of the Company, stated at the Annual General Meeting that the profit would have been still higher but for the under-recovery of railway freight of Rs 55.77 lakhs and under-recovery of Central Sales tax amounting to Rs 26.92 lakhs. The former is that portion of freight which is incurred for moving the products from Gauhati to the port from where they are moved to the consuming points. The selling prices fixed by Government include only freight charges from the port to the consuming points. The other oil companies buying products do not share the additional freight paid by the Indian Oil Corporation, as they cannot legally recover the same from other consumers. With regard to the Central sales tax applicable at 2 per cent, while State Governments like Maharashtra and Andhra Pradesh have exempted inter-company transactions from sales tax, other States have not so far done so.

Cooper Engineering

DESPITE an appreciable increase in sales from Rs 261.67 lakhs to Rs 311.16 lakhs, Cooper Engineering has met with a loss of Rs 1.11 lakhs during the year ended June 30, 1964. The Directors attribute this loss to increased cost of raw materials, labour and other items without a corresponding rise in the selling prices of various products and to the additional provision for depreciation at Rs 22.60 lakhs compared with Rs 16.69 lakhs in the previous year. The Company's sales are largely in respect of diesel engines and shaping machines whose prices have been controlled for the last several years. Some price revisions have been effected now and the results will be reflected in the current year's accounts. The Company's plan for manufacture of vertical turret lathes for which foreign exchange loan of Rs 18.5 lakhs has been arranged with ICICI is under way.

In the Company's automatic looms project, parts for production of 50 looms are already received and further parts are expected before the end of the current year. The collaboration agreement between the Company and a West German firm for the manufacture of gear hobbing machines has now been approved by the Government.

Though the operations during the year showed a loss of Rs 1.11 lakhs, provisions aggregating Rs 3.76 lakhs made in earlier years but no longer required helped to show a credit balance of Rs 2.66 lakhs from which Rs 2.65 lakhs have been shifted to Reserve. Dividend has been declared on equity shares at 8 per cent, for which Rs 7.91 lakhs will be utilised from the General Reserves.

Deccan Sugar

THE operations of Deccan Sugar and Abkhari Co for the year ended March 31, 1964 turned out to be more favourable than in the previous year. The Company's Samalkot factory crushed 154,413 tonnes (105,993 tonnes) of cane and produced 8,500 tonnes (11,757 tonnes) of raw sugar and 6,784 tonnes of white sugar. The crushing season was also longer, lasting for 181 days (128 days). In its Pugalur factory, during the special season, cane crushed amounted to 68,851 tonnes (30,508 tonnes) and sugar produced was 6,161 tonnes (2,865 tonnes) and during the main season, cane crushed was 207,425 tonnes (139,131 tonnes) and sugar produced was 19,135 tonnes (14,672 tonnes). Both the cane crushed and sugar produced constituted a record for the factory.

Sales showed a rise of Rs 24.00 lakhs at Rs 4.53 crores, but trading profits were less at Rs 24.62 lakhs compared with Rs 27.50 lakhs in the previous year. However, other incomes being more, net profit for the year stood higher at Rs 29.86 lakhs as against Rs 27.60 lakhs. Including the other adjustments of the previous year, the pre-tax profit amounted to Rs 33.74 lakhs (Rs 29.00 lakhs) from which taxation provision absorbed Rs 18.55 lakhs (Rs 16.83 lakhs), and thus the profit available for appropriation came to Rs 15.18 lakhs (Rs 12.17 lakhs). After earmarking Rs 1.35 lakhs (Rs 1.80 lakhs) for development rebate reserve, and Rs 5.30 lakhs (Rs 2.50 lakhs) for Rehabilitation Reserve, the Directors decided to pay 18 per cent (same) on ordinary shares, including an interim dividend of 6.5 per cent.

Modella Woollens

PRODUCTION and sales of Modella Woollens in its Shoddy Spinning unit during the year ended June 30, 1964 exceeded those of the previous year. A large quantity of special blanket yarn was spun for defence requirements, but the margin of profit was lower as sales had been effected at prices fixed by the Textile Commissioner. Production in the beginning of the financial year was mainly confined to combing Indian wool and later with stoppage of defence demands the unit was used for combing both wool and polyster fibre on behalf of other spinners. The dyeing unit commissioned in February last is engaged for dyeing wool and polyster fibre tops on customers' account, and with increased demand for such services, the Company is taking steps to increase its installed capacity. A printing plant for tops will be commissioned shortly and a grease extracting plant is under construction.

The year's working has yielded a profit of Rs 22.91 lakhs as against Rs 18.11 lakhs in the previous year, following a sharp rise in the sales from Rs 68.94 lakhs to Rs 107 59 lakhs. Depreciation absorbed Rs 11.46 lakhs (Rs 5.25 lakhs); development rebate reserve got Rs 65,000 (Rs 5.82 lakhs). Provision was made for taxation at Rs 3.55 lakhs (Rs 1.30 lakhs). Dividend at 7 per cent will take away Rs 4.32 lakhs (Rs 3.10 lakhs). Of the balance, Rs 2.50 lakhs (same) has been shifted to General Reserve leaving Rs 4,762 to the next account.

Mysore Chemicals and Fertilisers

MYSORE Chemicals and Fertilisers has passed over the dividend for the second year in succession. Operating profit before taxation for the year ending March 31, 1964 amounted to Rs 32,741 as against a loss of Rs 51,544 in 1962-63. Sales dropped from Rs 44.28 lakhs to Rs 37.44 lakhs. The reduction in sales is attributed to restricted production of ammonium sulphate because of higher production cost compared with that of other manufacturers.

CURRENT STATISTICS

Index of Industrial Production

(Base: 1956=100)

Item	1964 June	1964 July	1964 August	1963 August
GENERAL INDEX				
Seasonally adjusted	171.7	175.3	173.6	164.3
Crude	167.2	179.1	176.0	166.6
Mining & Quarrying	163.3	166.0	158.4	172.3
Coal	154.7	157.0	150.0	163.3
Manufacturing	161.9	174.9	172.5	162.1
Food Mfg Industries	124.9	133.2	130.2	133.1
Wheat flour	331.6	326.8	330.8	238.9
Sugar	6.7	4.1	6.5	5.8
Tea	157.5	205.3	204.2	214.6
Salt	380.0	62.7	62.7	57.8
Beverage and Tobacco Industries				
Cigarettes	170.0	183.8	174.8	150.6
Manufacture of Textiles	123.4	135.8	134.9	123.2
Spinning, Wvg and Finishing of Cotton Textiles	115.4	129.3	129.3	110.5
Cotton Spinning	120.1	141.7	141.7	125.9
Weaving of Cotton Textiles	113.7	124.6	124.6	104.6
Mill Sector	93.2	101.0	101.0	87.4
Decentralised Sector	169.1	188.5	188.5	151.5
Spinning, Weaving and Finishing of Woollen Textiles	119.2	129.6	130.8	174.0
Spinning, Weaving and Finishing of Textiles from Silk and Synthetic Fibres	211.4	210.5	212.3	245.0
Spinning, Weaving and Finishing of Jute Manufactures	123.3	135.1	127.3	121.6
Manufacture of Footwear, other wearing apparel and made up textile goods	197.5	261.9	226.9	250.6
Manufacture of wood and cork except manufacture of furniture	191.2	218.5	181.2	197.6
Manufacture of paper and paper products	230.2	251.8	251.8	236.9
Manufacture of leather and fur products	127.2	129.6	128.5	153.2
Manufacture of rubber products	180.9	205.2	198.5	197.0
Manufacture of chemicals and chemical products	225.6	243.2	234.3	232.3
Basic industrial chemicals	327.8	371.2	338.1	423.3
Heavy organic chemicals	328.3	405.7	311.0	246.7
Heavy inorganic chemicals	362.9	408.4	392.2	554.3
Synthetic Resins and Plastics	570.7	593.7	556.7	517.6
Dye-stuff	186.9	188.1	159.9	134.7
Manufacture of fertilizers	257.9	247.2	279.8	220.8
Manufacture of paints, varnishes and lacquers	177.5	183.0	190.0	187.4
Soap	148.6	161.2	146.8	133.6
Manufacture of Matches	171.1	196.7	180.1	94.4
Manufacture of petroleum Products	213.1	196.8	223.1	200.3
Manufacture of non-metallic mineral products	210.0	227.1	212.1	202.6
Manufacture of structural clay products	210.1	208.5	183.5	211.4
Glass and glass products	178.2	182.9	180.6	189.5
Manufacture of pottery, china and earthenware	357.0	373.2	366.2	267.5
Cement	175.4	198.6	179.6	175.6
Basic metal	239.3	259.0	258.0	262.4
Iron and steel basic industries	249.3	269.4	266.1	272.7
Pig iron	324.7	328.4	334.9	347.5
Finished steel	287.6	322.2	318.4	315.1
Copper smelting and rolling mill products	121.7	123.6	140.3	165.6
Aluminium manufacturing	339.2	396.0	395.3	373.9
Brass manufacture	186.8	168.2	201.9	204.8
Manufacture of metal products	214.7	245.6	230.8	209.8
Manufacture of bolts, nuts, screws, nails, springs, chains etc.	131.2	213.2	164.5	143.9
Manufacture of hand tools and small tools	463.5	573.6	560.3	401.1
Manufacture of metal products not elsewhere classified	195.7	216.9	203.6	194.6
Manufacture of machinery, except electrical machines	410.2	436.0	407.0	379.3
Internal combustion engines	356.7	443.0	410.3	386.7
Manufacture of industrial machinery	456.4	474.7	430.9	374.2
Manufacture of commercial office & household machines	369.1	357.1	350.4	370.7
Sewing machines	247.7	247.7	250.2	311.2
Manufacture of electrical machinery, apparatus, appliances and supplies	277.8	302.4	297.2	235.7
Power transformers	309.7	328.6	332.8	250.1
Electric motors	377.6	379.6	419.4	301.0
Manufacture of electric cables and wires	323.9	344.8	328.0	242.0
Manufacture of batteries	185.3	198.1	203.9	183.3
Electric lamps	282.8	296.8	267.2	267.2
Electric fans	319.1	401.1	380.5	328.4
Radio receivers	331.5	349.8	357.1	288.2
Manufacture of transport equipment	191.8	200.6	184.6	133.5
Railway wagons	156.0	142.8	142.8	106.0
*Manufacturer of Motor vehicles (automobiles)	203.5	222.7	206.5	131.5
Manufacture of motor cycles & scooters	683.2	665.9	758.8	431.3
Bicycles (complete)	203.3	232.8	174.3	184.4
Electricity, Gas & Steam				
Electricity	302.0	305.4	297.2	263.9

BANKING RETURNS

(Rs crores)

Reserve Bank	Nov 27	Nov 20	Oct 30	Nov 29, '63
1 Note circulation	2422.46	2432.94	2397.28	2265.05
2 Rupee coins	105.41	103.79	107.04	120.45
3 Deposits				
(a) Central Govt	60.14	50.84	95.93	71.14
(b) Other Govts	6.33	6.49	11.73	11.19
(c) Banks	96.77	104.58	92.32	81.07
(d) Others	144.82	144.50	142.16	166.41
4 Foreign securities	85.46	85.46	85.46	92.46
5 Balance abroad	8.01	9.43	7.27	10.39
6 Rupee securities	2146.13	2146.13	2121.17	1959.31
7 Investments	118.44	120.77	104.39	246.36
8 Loans and Advances to Govts	67.03	67.73	75.48	58.84
9 Other Loans and advances	158.63	166.27	174.01	144.79

Scheduled Banks	Nov 20	Nov 13	Oct 23	Nov 22, '63
1 Aggregate deposits (net)	2546.53	2523.58	2529.17	2237.35
Demand (net)	1206.32	1196.44	1197.76	971.98
Time (net)	1340.21	1327.15	1331.42	1265.37
2 Cash in hand	67.03	70.31	68.68	57.43
3 Balance with Reserve Bank	97.00	96.94	119.79	82.88
4 (2)+(5) as % of (1)	6.44	6.62	7.45	6.27
5 Borrowings from Reserve Bank	1.46	2.28	0.60	0.46
(a) Against usance bills and/or promissory notes	–		–	
(b) Others	1.46	2.28	0.60	0.46
6 Advances	1453.41	1457.34	1446.87	1246.07
(a) State Bank	—	321.80	312.42	240.25
(b) Others	—	1135.84	1134.45	1005.82
7 Bills discounted				
(a) Inland	185.99	185.91	183.92	179.59
(b) Foreign	75.39	76.43	72.11	57.27
(c) Total	2[illegible].38	262.37	256.03	236.86
(i) State Bank	-	22.23	18.43	18.98
(ii) Others	-	240.14	237.60	217.88
8 (6)+(7) as % of (1)	67.34	68.15	67.33	66.28
9 Investment in Govt Securities	828.82	819.58	839.45	771.75
10 (9) as % of (1)	32.55	32.48	33.19	34.49

BOMBAY MONEY RATES

(per cent)

	Nov 20	Nov 13	Oct 23	Nov 22, '63
Call money from Banks	1.11	2.43	1.29	2.51
Deposits				
14 days	—	—	—	—
91 days	4.00	4.00	4.00	3.50
Six months	4.50	4.50	4.50	3.75

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

Group and sub-Group	7-11-64	31-10-64	10-10-64	9-11-63
Food Articles	*164.7*	*165.6*	*170.6*	*138.0*
Cereals	145.3	146.5	151.3	118.7
Pulses	174.4	179.9	189.3	114.4
Fruits & Vegetables	188.7	181.4	171.4	140.0
Milk & Ghee	148.0	147.1	145.4	126.2
Edible Oils	201.6	203.0	228.9	150.5
Fish, Eggs & Meat	159.5	159.5	163.1	151.0
Sugar & Gur	202.6	201.5	213.1	197.6
Others	179.7	183.5	178.2	177.9
Liquor & Tobacco	*133.5*	*133.5*	*132.6*	*118.4*
Tobacco	131.4	131.4	130.4	115.5
Fuel, Power, Light & Lubricants.	*144.8*	*144.8*	*144.7*	*139.5*
Industrial Raw Materials	*161.4*	*162.0*	*165.1*	*137.8*
Fibres	143.3	144.6	145.1	133.3
Oil-seeds	196.0	196.0	203.5	149.2
Minerals	103.2	103.2	103.7	91.6
Others	134.5	134.9	135.2	127.9
Manufactures	*138.1*	*137.8*	*138.2*	*130.8*
Intermediate Products	*153.4*	*152.5*	*153.3*	*137.9*
Finished Products	*135.6*	*135.4*	*135.7*	*129.7*
Textiles	134.1	133.5	133.8	127.7
Cotton	136.8	136.8	136.8	135.6
Jute	124.8	122.6	123.5	100.7
Woollen	169.2	169.2	169.2	160.2
Silk & Rayon	132.0	132.0	133.7	137.7
Metal products	169.5	169.5	169.5	163.7
Chemicals	120.8	120.9	120.5	117.9
Oil cakes	199.5	202.2	207.3	162.3
Machinery & Transport Equipment	127.8	127.2	127.2	124.2
Others	127.8	127.8	127.7	128.9
All Commodities	*155.[illegible]*	*155.7*	*158.8*	*135.5*

PAKISTAN : SECTORAL ALLOCATIONS OF OUTLAY IN THE THIRD PLAN

(Million Rs)

Field of Development	Proposed Allocation for the Third Plan: Govt Sector	Private Sector	Total	Second Plan Estimated Actual	Percentage Increase of (4) over (5)
Agriculture	4,340	2,000	6,340	2,940	116
Water and Power	8,630	300	8,930	4,640	93
Industry	4,750	8,300	13,050	5,800	125
Fuels and minerals	900	750	1,650	860	92
Transport and communications	5,870	3,100	8,970	4,440	102
Physical Planning and Housing	2,740	3,150	5,890	3,850	53
Education	2,740	300	3,040	1,080	181
Health	1,180	40	1,220	510	133
Manpower / Social Welfare	350	60	410	80	412
Works Programme	2,500	...	2,500	800	213
TOTAL (Gross)	34,000	18,000	52,000	25,000	108
Less estimated shortfall	—6,500	Nil	—6,500	...	...
TOTAL (Net)	27,500	18,000	45,500	25,000	108

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Misuse of Edible Oils

ON the bigger issues facing the nation today there has been a set-back all along the front during the week. The Chief Ministers of the States, who met in Delhi to consider the problem of food, official language and students' indiscipline, dispersed without taking any decisions or arriving at any conclusions. The *dictat* of a member of the Congress High Command that the Central Bureau of Investigation shall have no right to investigate on its own suspected cases of corruption involving any Minister unless a *prima facie* case has been made out to the satisfaction of the Central Parliamentary Board has not been refuted or contradicted by the Government till the time of going to press. This hits at the very basis of administration and invests the party in power with a superiority which is altogether inconsistent with the spirit of a democratic government.

As against these momentous issues, the move for augmenting ever so slightly the availability of cooking oils and fats by banning their use in soap-making is a matter of little importance. Even so, the idea behind the move is laudable and its application has considerable significance because of the attention it draws to an important aspect of economic development in the country. As a diagnostic case study, it deserves wide notice.

A non-spectacular but nevertheless important aspect of economic development is continuing improvement in the pattern of utilisation of raw materials. The process includes also bringing into commercial use materials which had remained unutilised hitherto or been utilised only very partially. For several years past, in fact ever since June 1957, the vegetable oil economy of the country has been running a deficit, and the net import of such oils has been increasing. The limited exports of vegetable oils which used to be allowed in the past had been dwindling and have been now completely stopped. Even when these exports were allowed, they were exchanged for substantial quantities of oils of other varieties—such as coconut or palm oil for exports of groundnut oil.

In a continuing situation of shortage of edible oils, it was indefensible to allow such oils to be used for industrial purposes, e g, soap-making. True enough, there is a fairly large soap industry in the country both organised and in the cottage sector and a sudden stoppage of supply of raw materials used by the industry would not be a feasible proposition. What should be done is to put gentle pressure on this industry to look for and turn to alternate sources of raw materials. Among the natural resources which largely go to waste in this country are various kinds of oil producing seeds—from forest tress—which are not commercially exploited. Another substitute material for soap making is tallow but under the conditions in which slaughter houses are run, not much tallow of a suitable quality is commercially obtainable. There are other sources which have not been tapped or explored at all, viz, marine products such as oil from non-edible varieties of fish, sharks and whales. There is enough evidence to suggest that substantial quantities of such oils and fats, perhaps more than adequate for the soap and other industries, could be made available if the marine resources of India's 2,500 mile coastline are developed even partially.

It was a forward and most welcome step, therefore, when the first move in the direction of diverting the soap industry to non-edible oils was taken by the Ministry of Food and Agriculture some three months ago. A

notification issued by the Directorate of Sugar and Vanaspati on September 30, 1964 stated, *inter alia:*

> "With a view to minimising the diversion of edible groundnut and other oils (i e. obtained by expression) for non-edible purposes, such oils will not, in future, be permitted to be used in the manufacture of special quality vegetable oil products meant for industrial purposes, i e, for the manufacture of industrial hard oil. In accordance with this decision, the manufacture of such products will be permitted only from solvent-extracted groundnut or cottonseed oils, or from oils like linseed or castor ordinarily deemed to be inedible ... In order to enable the factories to make necessary re-adjustments in their installations in terms of these requirements, and also to equip themselves with the required stocks of edible and/or solvent extracted oils in terms of their production programmes for vanaspati and industrial hard oil, it has been decided to enforce the decision referred to (above) from 1-1-65 after which date permits for the manufacture of industrial hard oil will only be issued in terms of the decision."

On the face of it, this looked fair enough. Indeed, the proposals to minimise the diversion of edible oils to industrial uses is a highly laudable one in view of the acute shortage of this essential article of food and nutrition in the country and the manner in which the order was intended to be implemented appeared to be sensible in that three months' time was allowed to the industrial users to switch over to non-edible oils. The declaration of solvent-extraction oil as *non-edible* and the ban on its utilisation for the production of vanaspati appeared to open up and reserve an alternate source of supply to the soap industry. Those who would have liked the measure to set in operation economic forces which could lead to the exploration and eventual development of hitherto untapped sources of supply, e g, from unexploited forest products or marine fishery may have been disappointed at the limited aim of this Order, but it looked unexceptionable in itself. The three months' time limit—the period of adjustment—is now nearing its end and does one really believe that the very desirable objective of minimising the diversion of edible oils to industrial uses is going to be achieved, even in a small measure?

To begin with, soap industry, like every other industry in the country, expects the Government to find its raw materials and the U S being the last and only resort for everything, high level explorations began not for finding and developing untapped sources or raw materials within the country but for obtaining substitutes from the U S under PL 480, free of foreign exchange cost. A deal had already been arranged some months earlier for the import of soya bean oil under PL 480; a team was said to be negotiating a deal for tallow on similar terms. Even the substitution of imported tallow will be a progressive step in that the soap industry may thereby be weaned from its dependence on edible oils which are needed as food and soap-users shaken out of their anti-social habit of only using those soaps which are guaranteed to be free from animal fat. Thus some day our domestic animal fat, which is today largely a waste product, may have some hope of finding economic use. This step in economic development is dependent on a social change in the matter of attitudes in regard to abattoirs and recovery of animal by-products. But there is a fly in the ointment. The negotiations for getting tallow under PL 480 have struck an unexpected snag as a result of a procedural change so that now the imports may not be entirely free of foreign exchange cost.

The Order in question, it will be noticed, has not been served on the soap manufacturers. It applies only to vegetable oil products factories in regard to hardening or hydrogenation of edible oils. This source being barred, soap makers can still use coconut oil which needs no hardening or some hard oil like mahua or palm oil. But mahua is very much in short supply and there is no import of palm oil. The only source left open for hardening is thus solvent extracted oil which under the Food Act is declared to be non-edible.

From this point onwards, however, the outlook begins to get more and more obscure. There are no means of determining which refined oil is of solvent extraction and which is not. Worse still, in view of the acute shortage of edible oils and high prices, solvent extracted oil has been commanding a high premium and is being freely sold as cooking oil. Soap manufacturers complain that they cannot get adequate supplies of this permitted variety. The Food Ministry may issue a circular but it has no means of preventing the sale of solvent extraction oil for cooking and thus reserving it for industrial use. As the date of the enforcement of the order draws near, the industry has sent the expected delegation to New Delhi and in due course the directive will be held in abeyance or modified and one more good idea allowed to go waste for lack of a well thought out programme for implementation.

But it need not happen that way. If it is merely a question of preventing solvent extraction oil being sold as cooking oil or as an ingredient for adulterating the latter, it could be easily stopped by posting an excise man at each solvent extraction plant, not to collect duty, but to keep the same check on the disposal of the product that he does elsewhere. The trouble goes a little deeper. The public finds it difficult to accept that extraction oil is injurious to health and not edible, when by the same Order vanaspati producers are permitted to mix up to 20 per cent of American soya bean oil also drawn by solvent extraction process for vanaspati. From a long-term point of view also, the move may not go far, for sooner or later the oil expellers in this country will switch over to the same process of extraction as American producers have already done. But even so, there should be no going back. The rate at which good ideas depreciate in this country is incredible. They are toyed with and then given up, soiled by ineffective application. The utilisation of neem oil for soap making in the cottage sector has been one such. The prevention of the use of edible oils for industrial purposes should not be another.

GREETINGS

We wish all our Readers, Advertisers and Well Wishers a Merry Christmas and a Happy New Year and extend to them the Greetings of the Season.

As the office of *The Economic Weekly* will be closed for Christmas, there will be no issue on December 26, 1964.

BUSINESS MANAGER

Permanent Split in Guiana

FORBES Burnham is now the Premier of British Guiana. He heads a coalition which together gained 54.7 per cent of popular votes in the general elections just completed. Burnham's coming to power represents a major change in the politics of this little community of just over 600,000. For the last 12 years or so, the person who dominated the political scene was Cheddi Jagan. Jagan was not in power all along. But when he was not in power, there was no popular government.

Is Jagan less powerful today than he was 12 years back? Possibly yes. Twelve years back Burnham and Jagan belonged to one political party. They fought against a party of toadies and right-wingers and won so overwhelmingly that it was impossible not to transfer power, however limited it was under the constitution, to Jagan and with him to Burnham, his deputy.

On all accounts, Jagan was liked by both Creoles and Indians. His support was both multiracial as well as broad-based. This is not true any longer. Even his staunchest foe will not accuse Jagan of racialism. Still, his present support is entirely racial as is Burnham's, of course. What is behind this change? There is enough evidence to show that British Guiana was never left alone in these last 12 years. There was constant interference in its politics by a most powerful combination of forces. The Americans were determined to see Jagan ousted and the British coalesced. In fact, it might be considered quite a tribute to Jagan's popularity that it has taken such a powerful combination 12 years, 200 local lives and large-scale destruction to oust Jagan from power and that too after resort had to be made to a most undemocratic type of constitution, a constitution that will permanently keep apart the two major communities in British Guiana.

Under the new constitution, Jagan will most likely never again come back to power. But what is more important is: Has any other Indian a chance of coming to power in British Guiana? If not, it will be most tragic because a whole community, comprising 49 per cent of the population will have been driven to permanent opposition. This situation can have dangerous repercussions for the entire country; repercussions a taste of which the country has had over the past one year.

It is a shame indeed that India has refrained from using its influence in persuading the British Government to a more constructive policy in British Guiana. At the time of the last Commonwealth Prime Minister's Conference, India publicly abandoned its right to speak on British Guiana. Nor was there any mention of the subject having been raised by Prime Minister Shastri with the new Labour Government in the U K.

What is important is not whether Jagan comes back to power or not but that the politics of a country with whom India has the closest cultural affinity should be so mischievously distorted as to operate permanently against one cultural group. A thousand or so whites stranded in Stanleyville brought the whole might of the West heavily on the Stanleyville insurgents. In British Guiana the political fate of over 300,000 people of Indian descent has been virtually sealed. What has India done about it?

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Weekly Notes

J B S Haldane

WHAT made J B S Haldane choose India as his home and die an Indian? Most of the obituaries are silent on this point. Well, Haldane himself set out the reasons in an article which he contributed to the "Rationalist". It began with a statement that, of the schools of philosophy that India had, three were non-theistic. This obviously impressed him deeply for he found in it a confirmation that in India as in no other country the mind of man was free. And Nehru's India obviously held a promise for him.

Maybe India caught him on the rebound. That's what Kingsley Martin thought. After his controversy with Lysenko, he was disillusioned about the freedom of thought allowed in Soviet Russia and he slowly dropped off from the communist party to which he had turned earlier. At the time — that was in January 1956, Kingsley Martin wrote that Haldane "has found a new enthusiasm, India, to replace Russia. He has even suggested that he may die an Indian. The balm of Sanskrit philosophy has assuaged the burns of Marxism".

Between his coming to India and getting his citizenship fell the shadow of complicated, time-consuming and irritating procedures and much prolonged correspondence. By that time Haldane had mellowed a great deal and perhaps his fiery temper and the rudeness in his personal encounters, for which he had been known to hold the palm in his generation, had been confined to matters of the intellect and he had never allowed them to intrude into his personal affairs.

His career even in India continued to be stormy, for age had not mellowed him or diminished the violence of outbursts when it came to the conduct of scientific research or institutions.

The Indian Statistical Institute which had given him his first home in India he left after some years on account of differences in the matter of organisation of studies, a sphere which, he thought, concerned him, and which, according to the authorities of the Institute, did not.

It was, however, the genetics and biometry research unit, sponsored by the Council of Scientific and Industrial Research, of which he had offered to accept the Directorship, which brought him into headlong clash with the Government. It is a pity though that not much is known of this episode. Had the facts been brought out fully, we would have got to know how and why the potentialities of scientific advancement in this country have been so badly warped and thwarted all these years in spite of Pandit Nehru's inspiring leadership and his ardent personal interest in it. Biju Patnaik had the imagination to seize this opportunity to invite Professor Haldane to come over to Orissa to take charge of the genetics and biometry research laboratories set up by the Orissa Government.

The obituaries have listed Haldane's contribution to science; the scientific journals will do it more fully. But to say that he was the father of the science of biometry does not convey an adequate impression of the range and powers of his mind nor of the breadth of his interests. Even to his last days his mind moved with the speed of lightning. At one sitting, engaged in general conversation, he could skip through a book from cover to cover and take in all that he wanted. His amazing zest for life, wide range of interests and his vitality verging on the demoniac overwhelmed even those who had only a casual acquaintance with him or only a brief encounter. He would come out with an unexpected quotation from Shakespeare or an obscure French poet to illustrate a point and then go on to propound an abstruse scientific theory in the simplest of language.

Most striking, however, was his attitude to science and scientific research. One almost thinks of the Indian craftsman working with the simplest of tools, watching Haldane at work uncluttered by a multitude of apparatus. Haldane could pursue his own enquiries and could turn even the most modest of human material at hand into the most productive and fruitful use. He was intensely excited by the results he had been getting from a band of modest students whom he had put on some path-breaking experiments in the breeding of paddy plants. Till the last, he was confident that when these experiments were completed, the results would profoundly alter the food situation in this country. The team he chose for his experiments would not pass any selection committee, not to speak of the Public Service Commission.

By the way, under this country's educational system which has continued from British days and gained in scientific rigidity, as in admissions to the Indian Institutes of Technology, Haldane with his degree in classics, would not have been allowed to work in any scientific laboratory and pursue the interests that had consumed him all his life. A giant of a man, with the mental vigour and spiritual ardour of the rishis of old, who scrupulously erased all marks of conventional saintliness. We were fortunate in having such a man in our midst. The impact of his personality, however, did not last long enough to stir us and kindle the spirit of enquiry which had engrossed his whole being

Finance for Tea Plantations

JUDGING by the dividends declared, one would not consider the profitability of tea plantations to be poor. Indeed, comparisons, such as those made by the Reserve Bank, show that the tea companies do their shareholders quite proud. Yet tea plantations are unable to meet a major part of the costs of replanting, a normal operation which has to be repeated every few years, not to mention those of new planting. Special arrangements for financing these activities have come to be accepted as normal. The Tea Board has been extending loans for replanting and new planting at specially low interest rates.

To explain its chronic inability to generate sufficient internal resources, the tea industry has repeatedly pointed to the system of taxation. It has claimed that the field assets of plantations are in no way different from plant and machinery in other industries and, therefore, should be eligible for depreciation which they are not at present. As a result, there is no built in provision for generating resources for replanting as the standing tea plants come up for replacement. Nor are the plantations allowed development rebate. This is true of all plantation industries, including rubber and coffee, though in the case of rubber, following recommendations by the Tariff Commission, a beginning has been made in allowing depreciation.

The basic validity of this argument

is difficult to deny. Spokesmen of the plantations have themselves pointed out that provision of external credit on special terms is no substitute for generation of resources within the industry itself. It is a step in the right direction, therefore, that the Tea Finance Committee, unlike earlier committees set up to enquire into the financial needs of plantations, has not been content with suggesting that the Government should set aside a large sum of money to be channelled to the plantations through either the Tea Board or some other institution. The Committee has rightly addressed itself to the question of increasing the internal resources of the industry by modifying the tax system.

The Committee is reported to have recommended that the plantations should be afforded tax incentive at the rate of 40 per cent of the cost in case of replanting and 50 per cent in the case of new planting. Costs have been defined liberally to cover expenditure on preparing land, seed cutting and nurseries and actual planting as well as on upkeep in the first four years. Of course, a ceiling on costs, for the purposes of the tax incentive, has been prescribed at Rs 4,000 per acre in the plains and Rs 5,000 in the hills.

Along with the recommendation of the long-overdue tax incentive, the Committee has also suggested the establishment of a tea finance corporation to extend medium and long-term loans to the plantations for all purposes, including the discharge of outstanding development debt against the mortgage of assets and debentures. It will also guarantee to the commercial banks repayment of short-term advances to tea companies on the hypothecation of crops.

Considering the special difficulties of tea plantations in getting loans from commercial banks and other financing institutions, a special institution is perhaps necessary. In any case, it is time the Tea Board made over the responsibility of financing the plantations to someone who will be able to keep a stricter check on the utilisation of loans than it has been able to. What needs to be questioned, however, is the Committee's recommendation that the interest on loans to tea plantations should be kept especially low. The justification advanced for this —that newly planted areas take some time to yield saleable crops—does not carry conviction. If the gestation period were to be the criterion, a case could be made out for charging similar low rates to a number of other industries as well.

It will be pointed out that there is a special case for keeping the financial burden on the tea industry low in view of the need to ensure that Indian tea is not priced out of international markets. The price of Indian tea must be competitive, of course, but the supply of finance at subsidised rates of interest is a terribly round-about way of achieving this objective—one whose impact on final prices can be by no means easily established. A more direct method would be to reduce the excise burden on the industry, on that part of its output which is exported. In fact, the Committee's report is believed to contain a recommendation to this effect. Charging special lower-than-market rates of interest to any industry needs special justification; such justification is especially weak in the case of the tea plantations whose operations have never been particularly marked by efforts to achieve the maximum economies in the use of finance either for capital or current purposes.

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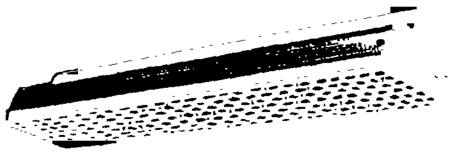
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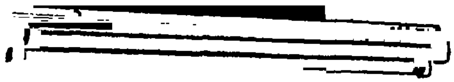
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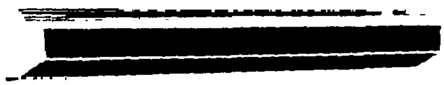
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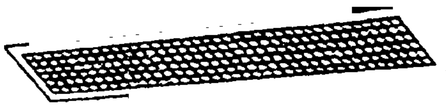
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Other Side of Collaboration

NEXT to various kinds of engineering industries, chemicals are the favourite haunt of foreign collaboration. The Reserve Bank study of collaboration in and consequent remittances abroad by 86 chemical companies, including 16 *subsidiaries*, published in the November *Bulletin*, gives a rough indication of the cost of such collaboration. Over the seven years 1956-57 to 1962-63 the value of shares held by foreign participants rose from Rs 3.37 crores to Rs 14.87 crores; dividend remittances increased from Rs 5 lakhs to Rs 2 crores, aggregating Rs 8.17 crores for the period. Royalty and technical service remittances, similarly, went up from Rs 18 lakhs to Rs 1.21 crores, aggregating Rs 5.29 crores in all. Total remittances, including dividend, royalty and technical service payments, thus, came to Rs 13.46 crores. The main burden of liabilities has yet to come, however, because most of the collaboration agreements were concluded after 1959 and many have still to ripen fully.

It is always difficult to establish a precise cost-benefit ratio, especially in a new industry where the intangibles of know-how and research are more important than even money and equipment. Pharmaceuticals bring their own problems of patents and insistence on majority, if not complete, control. Granted all this, one cannot escape two facts: one, the import of capital (even allowing for ploughbacks) is not significant, and two, the foreign exchange liability incurred offsets the little import that takes place. These are not revelations to shock the innocent. They have been known for long but could not be substantiated in quantitative terms so far. The point in stressing them now is not to play down foreign collaboration or to suggest that it brings no benefits but to remind ourselves that this is part of the price we are paying for aid on soft terms from the West as well as for continuing to respect the patents held by the international companies. There may be no escape from "opening the doors a little wider" to foreign investment and "improving the climate" for private investment in general, if these are the conditions for soft aid; but the additional burden on the balance of payments and the domestic cost structure, quite apart from the tying down of what little domestic technological development there is with foreign companies through the patent system, cannot be ignored either.

On a rough average, for investment of Rs 5 crores in pharmaceuticals from 1956-57 to 1962-63 (excluding ploughed back earnings), foreign investors earned in all Rs 3.86 crores as dividend plus Rs 49 lakhs as royalty plus Rs 29 lakhs for technical services or a total of Rs 4.64 crores. No allowance is made here for benefits accruing to foreign principals in the form of assured markets, and whatever prices they can charge for intermediates. Clearly, these figures are not the best advertisement for foreign private investment nor for the benefits supposed to flow from it.

By Courtesy of the C P B !

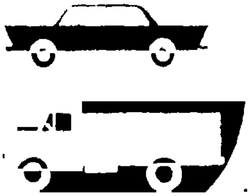
BY their actions and statements, a number of the top leaders of the Congress Party have demonstrated often enough that an excessive concern for constitutional and democratic propriety is not among their weaknesses. Now here is Atulya Ghosh, Congress boss of West Bengal and Treasurer of the Party, seriously telling us that the so-called 'little AICC' organised at Ranchi last month decided *(sic)* that the Central Bureau of Investigation should not be allowed to enquire into charges against Congress Ministers unless the Parliamentary Board of the Congress Party first examined them and satisfied itself that there was a *prima facie* case.

The Central Bureau of Investigation is under the Home Ministry. So even now the decision to refer charges against members of the Central or State Governments to it for investigation is that of the Home Minister who, no doubt, consults the Cabinet. The decision is thus political: Congressmen decide whether allegations against one of their colleagues should be investigated. Human nature being what it is—not to mention the peculiar compulsions of politics—this procedure has been sufficient to ensure that no investigations are launched against Ministers except when the Government's hands are absolutely forced by public opinion. Under the circumstances, the concern of those who have been seeking a solution to the problem of deteriorating standards of public morality in the country, including among members of the Central and State Governments, has been with devising procedures and institutions which will make investigation of charges against Ministers to an extent automatic and independent of political pulls. The Santhanam Committee on Corruption, for instance, suggested that specific allegations of corruption against any Minister made by at least ten legislators should be compulsorily referred to an *ad hoc* committee to be appointed by the President of India from among the members of a national panel. This committee—and not the Central Congress Parliamentary Board!—was to have the power to direct the Central Bureau of Investigation to enquire into the charges and report to it.

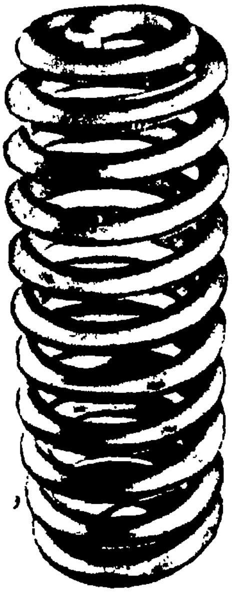
It is one thing for the Congress to prescribe, as a part of party discipline and code of conduct, that charges against Congress Ministers by members of the party should be sent to the Parliamentary Board. But to hand over to the Parliamentary Board the power of deciding whether *any* charges against a Minister should be investigated by the Central Bureau of Investigation or not would be to ensure that such investigations would be indeed few and far between. More than that, the cavalier manner in which the suggestion disregards all distinction between the Congress party and the Government and administration is breathtaking. The Central Bureau of Investigation is part of the administration whereas the Parliamentary Board is purely a Congress Party organisation with no official *locus standi*. To give the latter the power to direct when the CBI will carry out its responsibilities and when it will not, is to sanction the most blatant political interference with the administration—at a point where such interference can have the most disastrous consequences for democracy.

Exchange Worries Again

WHAT has again gone wrong with the foreign exchange situation? Reserves are falling once more, though exports are consistently touching higher levels and, at first sight, even invisible earnings (mainly shipping) seem to have gone up. Exports rose from Rs 682 crores in 1962-63 to Rs 802 crores in 1963-64; the figure for April-June 1964, a traditionally slack quarter, was Rs 203 crores. Invisibles turned from a net payment of Rs 13 crores in 1962-63 to a net receipt of Rs 15 crores in 1963-64 and Rs 22 crores in April-June 1964. Leaving aside errors and omissions (minus Rs 47 crores in 1963-64 and minus Rs 29 crores in April-June 1964 against Rs 4 crores in 1962-63), increased food imports (mostly on Government PL 480 account) and banking outflows, there are three reasons for the adverse turn. One is the repayment of Rs 12 crores per quarter



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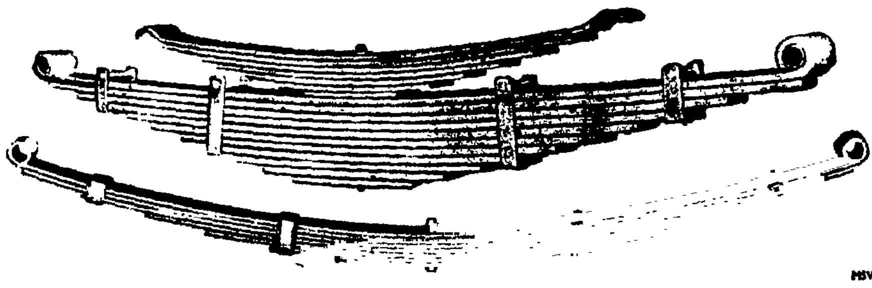


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ISWC-1F

to I M F, which took away Rs 21 crores in 1963-64 and should absorb double that amount in the current year. Another is the increasing burden of foreign investment and technical collaboration: remittance of investment income in 1963-64 was Rs 98 crores (Rs 81 crores net) against Rs 62 crores in 1960-61, while payments on account of fees, royalties, etc, went up from Rs 39 crores in 1961-62 to Rs 41 crores in 1962-63 and Rs 45 crores in 1963-64. It is the third reason, namely larger government imports which appears the most important single factor behind the renewed anxiety.

Private annual imports have been more or less constant at Rs 620-630 crores from 1962-63 through the quarter ended June 1964. Government imports increased substantially from Rs 465 crores in 1962-63 to Rs 610 crores in 1963-64 and to Rs 200 crores in April-June 1964. Out of the increase of Rs 145 crores between 1962 63 and 1963-64, food imports, nearly all under PL 480, accounted for Rs 31 crores while capital equipment for government projects took Rs 88 crores extra; the rest came under communication stores, mineral oils and others as shown in the table below. The spurt in imports of capital equipment is largely attributable to quicker disbursement of aid but apparently spread through the list of items is a large element of defence goods, ranging from, say, cash-down Argentine mules (£10,000 each) to equipment and materials for ordnance factories and fighting units.

Food and defence imports no doubt explain the worried tones of recent New Delhi announcements.

Government Imports

	1963-64	1962-63
	(Rs Crores)	
(1) Food	197	168
(2) Railway stores	29	28
(3) Comunication stores and ships	26	14
(4) Capital equipment for Government projects	221	133
(5) Iron and steel	21	25
(6) Mineral oils	9	3
(7) Fertilisers	12	13
(8) Non-ferrous metals	14	14
(9) Other	81	69
Total	610	465

Agreement in Brussels

ONCE again the European Common Market has survived a crisis. Right on the deadline of December 15, France and Germany have at last agreed on a compromise solution of the problem of common prices for cereals. France had wanted the common prices to be introduced immediately, whereas Germany had wanted to wait till the end of 1969. Now they have agreed on the compromise date of July 1, 1967 for the introduction of these prices.

The compromise date is significant for Chancellor Erhard. 1965 is an election year in West Germany. Erhard's party, the Christian Democrats, depends to a large extent on the support of the farmers Without that support it is unlikely to be in power after the general election scheduled for September. Free entry of French cereals into Germany is bound to affect adversely the incomes of the German farmers, because German agriculture is among the most backward in Europe and therefore has much higher costs than French agriculture. Any common cereal prices could only mean lower prices than those at which many German farmers could afford to sell.

The new agreement has vindicated the principle of international division of labour within the Common Market. That principle was bound to be vindicated even if common agricultural prices had had to wait till the end of 1969. But the compromise date means that the problem of French agricultural surpluses will not have to wait for a solution for very long and that the German consumers too will relatively soon be able to benefit from cheaper food. At the same time, Erhard's election prospects are not seriously jeopardised. In the long run, common agricultural prices are in the interest of all members of the Common Market, including Germany.

The agreement confirms what was suspected all along that General de Gaulle's ultimatum to Germany was largely a bargaining counter. A large demand (for immediate common cereal prices) was pressed so stubbornly so that the eventual compromise would be as much in her favour as possible. One cannot help wondering if de Gaulle's long-standing and stubborn hostility the US-sponsored multilateral nuclear force is a similar bargaining tactic. But before jumping to the conclusion that eventually some compromise will emerge in this question too, it is well to remember that much bigger issues are involved here including de Gaulle's conception of the political role of France and Europe. In any case, it is too early to judge how the agreement on agriculture is going to effect the French attitude towards NATO. Similarly, though this agreement removes a serious stumbling block in the way of the Kennedy Round of talks on tariffs, it is clearly premature to conclude that France will not raise some other difficulties there.

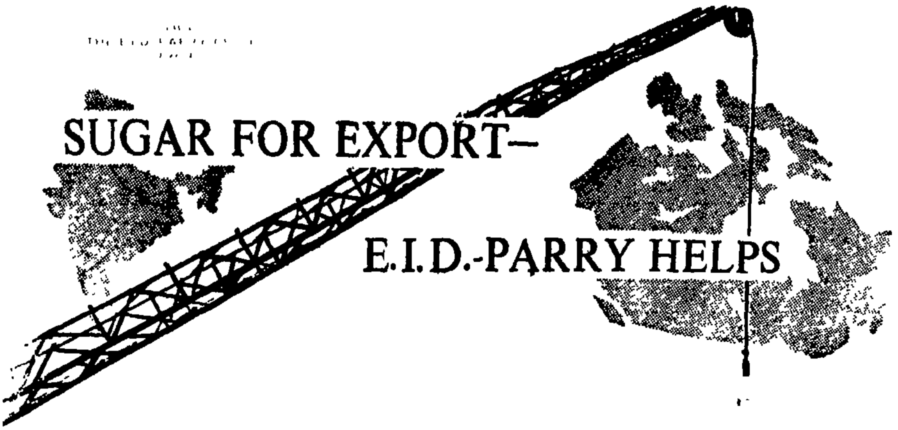
Letter to the Editor

Use of Agricultural Credit

IN his observations on the utilisation of co-operative credit (*The Economic Weekly*, October 31, 1964) S Vasudevan touches only the fringe of the problem of proper use of agricultural credit. The use-perfection of various kinds of agricultural loans depends not only on a close link between the sanctioning authority and the field level worker, like the VLW, but to a greater extent on the follow up inspection subsequent to loan disbursement. The degree of misutilisation is less in land improvement loans like loans for well irrigation, contour bunding and for similar visible improvements on the farm, and is considerably more in loans for fodder and bullock purchase, purchase of seeds, manure and agricultural implements. One can expect better utilisation in the former types of loan if the field staff keeps stricter standards of work inspection in the post disbursement stage of loan by making the loanee comply with the conditions (which can be physically verified) of the loan. In the latter types of loan the best that can be done is to make summary recoveries of loans where the loanee is a defaulter in proper utilisation. It is not always possible to ensure proper use of the latter types of loan since the loanees can thwart the purpose of loan by strictly complying the formal conditions of the loan, e g, production of purchase receipts, etc. The best that can be done here is to give the field staff greater powers not only at the sanctioning stage but also in the post-disbursement period.

It is true that summary recovery of loans does't help in any way the proper utilisation of loan. But to the extent that it has a deterrent effect on the defaulting loanee, loans exchanged in future have greater chances of being put to better use by the defaulting loanee. Thus both administrative and operational measures are needed to ensure better utilisation of agricultural credit.

Gadag, Mysore. MANU
December 8.



India is now a regular exporter of sugar. The country exported in 1962/63 4.18 lakh tonnes valued at over Rs 16 crores. The Middle East, Malaysia, Japan, Canada & the U.S.A. are her best customers. The production capacity is to be expanded by 5 lakh tonnes. This means more sugar for domestic consumption and export.

The E.I D.-Parry Group with its five sugar factories at Nellikuppam, Pugalur, Samalkot, Pettaivaythalai and Tiruvalla is contributing to export expansion from its own output which is expected to improve in 1964 significantly to a lakh of tonnes. Export obligations have been met regularly and planned extensions are in progress. Sugar exports are now supplemented by confectionery in which E.I.D.-Parry has been firmly established as manufacturer for fifty years and exporter for twenty-five years.

The E.I.D.-Parry Group helps the South Indian cane - grower with fertilisers, (especially superphosphate) to raise the yield per acre and get the benefit of higher prices In 1963 the Group supplied 25,000 tonnes of fertilisers to the sugarcane industry alone.

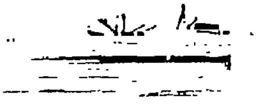
Other manufactures of the Group include sanitaryware, acids, chemicals, carbonic acid gas and industrial and potable alcohol

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Capital View

Passive and Flabby

Romesh Thapar

LIFE with Shastri gets curiouser and curiouser, at almost every level. We have suddenly got cold feet (very cold, with a cold wave enveloping us!) about the business of persuading the USA and the USSR to guarantee the security of the non-nuclear nations or to create a nuclear-free zone. Foreign Minister Swaran Singh has become ambivalent even about the need to give China representation in the UN. Our 'passive role' abroad is matched by flabbiness at home. On the food front, only one State has instituted procedures for summary trial of hoarders and profiteers. The Centre's writ just doesn't seem to be acceptable to a number of the Congress Satraps in the States. And, while in this *merry mess*, we have decided to introduce *Hindi* into our red-taped filing system. Judging from the weeks it takes to release the authorised English translation of Shastri's Hindi speeches in Parliament, the whole administrative system might start grinding to a halt.

Menon: Unofficial Adviser?

The doldrums notwithstanding, the knowlegeable *(sic!)* in the Capital have been speculating on V K Krishna Menon's meeting – or is it meetings? – with Shastri. They claim that of late Menon has managed more meetings with the Prime Minister than anyone else. As to what happened at these meetings, the theories are many. Is he being appointed High Commissioner in London to keep track of his old friend, Harold Wilson? Has he again become the unofficial adviser on foreign policy? Will he launch the home-work which has to be done to forge a new policy? Or was he merely warning Shastri against involvements in nuclear politics without proper preparation?

Krishna Menon's obvious talents cannot be ignored, and the present Government may require them sooner than we think if the drift continues. His views are no secret. He airs them every week in a journal published in Delhi which is closely associated with him. But, at the moment, Menon is not over-anxious to act as the *unofficial* brains trust. He can be patient when he wants to be. The pity of it is that Shastri or the Congress Party do not see the value of making full use of such talent in an *organised*, institutionalised manner.

Swaran Singh Fails

There is no doubt that Swaran Singh has failed to make the mark. Whether at the Cairo Conference, or in Moscow, or now, in the United Nations, he is mostly concerned with humdrum issues. He does not have the ability to raise the discussion he launches to any relevant level. Even Shastri shrugs his shoulders when his Foreign Minister is criticised as if to say, 'who else?' Small wonder, then, that the local scribes are busy transferring Swaran Singh to the chief ministership of the Punjab. This stage has not been reached, but one never knows these days.

Alarming reports are circulating about the damage already done to our 'image' abroad. Our non-aligned friends are now openly showing their distaste for our efforts to embroil them in our confrontation with China which is considered temporary and unimportant. The Soviet Union is apparently recovering from the shock of having its offer on submarines and frigates turned down despite an unsatisfactory British response to our overtures, although Defence Minister Chavan has tried in his own way to explain our 'difficulties'. Indeed, the new Soviet leadership, ironically enough, is said to feel that our 'no-bomb' stand may be just another reflection of our dependence on foreign support. The Western powers appear to share this assessment, but are pleasantly surprised by the passivity.

Centre Losing Grip

A passive foreign policy has some meaning only if there is a plan to rouse the country internally, to take bold steps to strengthen the resolve of the nation to overcome the obstacles, economic and political, in its way. No such signs are visible. Hence, the emotional demand for developing an independent nuclear capability finds responses in the most unexpected quarters. And it is argued, with a certain degree of logic, that Shastri dithers even over his own initiative to get a guarantee against nuclear attack for non-nuclear nations from the only two major nuclear powers (the USA and the USSR) because he does not see how he is to mobilise the country internally for a greater effort. Ineffectiveness on the food front is a pointer.

Seldom have foreign and domestic policy become so inter-locked as they are today. And it so becomes, we know, whenever the internal situation gets out of hand, develops a septic focus which infects every limb. Our inability to feed ourselves, to sustain the industrial growth rate and to implement the minimum policies we require to preserve the perspectives we have set before ourselves, creates in the corrupted and demoralised sections of the ruling party a passivity and flabbiness which can mark the start of a collapse. Shstri will have to stir—or hand over to more determined men.

Perhaps, we are about to witness this drama. In the higher echelons of the ruling party, the feeling is general that something drastic must be done to make the Centre's power effective. The recently-concluded Chief Minister's conference, hosted by Home Minister Nanda, has helped further to reinforce the strength of those demanding drastic action. No one quite knows what is to be done. A tiny minority still wallows in the search for a *real* leader. But the more experienced are wondering whether a solution lies in overhauling the party machine.

Honest Men Powerless

Shastri's earlier approach was to instal honest, respected men in positions of power in those States which were proving difficult. Witness Ram Kishen. The experiment, however, has proved that even such individuals are paralyzed and made captive by the leading factions and groups. Shastri persists in his quest. Witness the operation to dethrone Patnaik and his friends in Orissa. But it is, in many ways, a losing fight, for even when certain prominent Congress performers are removed from the political arena the vacuum is rapidly filled by elements not very different. Yet, the business of gearing the party machine to carry out Central directives has to continue.

Kamaraj remains silent and unhappy. He places great faith in the ability of the organisational wing of the party to discipline the ministerial elements on an all-India basis. Unfortunately, he un-

derestimates the corrosive power of ministerial patronage to undermine the *discipline of the organisational wing. The failure of the organisational wing* to impose discipline has been effectively exploited by his detractors to prove that he is no inspired messiah. Kamaraj's experience is limited to Tamilnad where he was able to put together a government of talents and prevent the blatant misuse of official patronage. He still believes that the experience of Tamilnad can be applied to the country as a whole.

To carry out his plan to discipline and streamline the organisational wing of the party and to make it the determinant factor in policy-making and implementation — an all-India bond through which the Centre could act — Kamaraj would need to be invested with considerable power to purge the corrupt, to re-allot responsibilities, to re-fashion the machine and to launch deeper ideological training for the active cadre of the party. He knows that he cannot carry through this reform on his own, but is unable to make up his mind as to who should assist him.

Kamaraj Must Stay On

The opportunist alliance that was The Syndicate is now a wreckage. In any case, Atulya Ghosh, S K Patil and Sanjiva Reddy would consider these organisational steps as a threat to their ways of functioning. Quite clearly, Kamaraj, in alliance with the still healthy elements in the central leadership, will have to courageously cut through the factions and mobilise the most talented organisers and ideologues for the party machine in the States. A terribly difficult task, but one which has to be undertaken if the Congress Party is to lead this country out of its present impasse.

The immediate controversy will centre round the presidentship of the party. Atulya Ghosh's ambitions to move in and 'fix' the tickets for the next general elections in the course of a two-year tenure create complications. Kamaraj still has one more year by right and should require another two-year term to carry out the reorganisation of the party, an uninterrupted stewardship taking the party through the general elections. Will good sense prevail, or has the rot gone too deep? The forthcoming Congress session at Durgapur can no longer be treated as another jamboree.

The economic and political gains of the last seventeen years, and they are not to be dismissed lightly in the manner *of illiterate foreign commentators who trade on 'impressions' and 'hunches'*, have to be so consolidated as remove the flabbiness and passivity our national life. This is the challen which develops as 1965 approaches.



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Notes from Geneva

Church Seeks the Answers

THE Vatican Ecumenical Council concluded its third and penultimate session on November 21. Gathered were cardinals, patriarchs, archbishops and bishops from the world over. The Council is two years old, and the next session will be its final one. The last Vatican Council was held in 1870 when it defined the supremacy and infallibility of the Pope.

Internal Struggle

At the session just concluded various declarations were put forward: on the Jews, on religious liberty, on the collegiality of bishops and on the unity of the Christian world. The most importance perhaps was given to an inner problem, the collegiality of bishops. Before the Church can provide answers to the world's problems and the problems of its confrontation with the twentieth century, it must first settle the question of authority and end the constant struggle for power in the Church. The Roman Curia is a powerful, antiprogressive, absolutist body, giving orders to the bishops which the bishops in turn relay to the priests. Its leaders are Roman cardinals with half a generation's lead over their brothers who, to them, are revolutionaries who must be over-ruled with an iron hand. Its High Priest is 74-year-old Cardinal Alfredo Ottaviani who, it is said, had his first doubts about the Pope's infallibility when John XXIII disagreed with him. In the debate on the schema on the Church, "De Ecclesia", in which the Church declared its intention to update and reform itself to be better equipped to deal with the problems of the modern world. Ottaviani threw in his weight against the Bishops' Charter. But 15 influential cardinals appealed directly to the Pope, asking him to break the grip of "men directing the Curia, who appear to be divorced from the will and wish of the great majority of the Council". When the votes were counted, among 2,000 or more bishops, only 46 were against. The decree was promulgated. The Curia, as a governing body, may eventually be replaced by a Senate of the world's bishops, sharing responsibility with the Pope.

After looking inwards, the Church looked outwards, on unity, extending a hand to all Christians. Protestants in the West and Orthodox in the East, and beyond them to non-Christians, after 400 years of competition, or non-co-operation. "De Ecumenismo" admits that both sides were at fault. There might eventually be a common Christian charter and a common Christian prayer. The Pope also promulgated a document on the Eastern Rite Churches in communion with Rome. All these were approved by the Council. On his own, the Pope proclaimed the Virgin Mary "Mother of the Church, that is, of all the people of God, as much of the faithful as of the pastors". The bishops had unsuccessfully tried to get the title "Mother of the Church" put into the "De Ecclesia" decree, of which the eighth chapter explains Virgin Mary's role in terms aimed at avoiding difficulties for other Christians and discouraging excesses.

Jews and Non-Christians

There was a final draft of the controversial document on the Jews and non-Christians. During the session, it was sent back for revision, rewritten and given a new title: "on the Church's attitude to non-Christian religions". The new document was stronger than the original draft on the historical mis-conception of Jewish guilt for Christ's death. It firmly stated that the Jewish people must never be presented as having been rejected, cursed or guilty of deicide, and that nothing should be taught or preached that could arouse hatred or contempt of Jews in the hearts of Christians.

The declaration now is in five parts, dealing with the various non-Christian religions (specifically mentioned are, Hinduism, Buddhism and Islam), and including a call for universal brotherhood without discrimination and an introduction emphasising "the community of all peoples in one" in the religious problem of seeking answers to the mystery of man's fate. Originally, the document was intended to explain the Church's position on anti-Semitism. But Near East prelates were concerned with Arab reprisals against the Church. So was the Vatican Secretariat of State. Christian Arabs in Jordan did denounce the Vatican declaration asking the country's Catholics to split with the Vatican and the Jordan Government to take control of all Catholic missionary schools in the country. Jordan newspapers attacked the decision to absolve Jews. The Vatican Curia and some Italian prelates also showed hostility. All this prevented the Council from taking a vote. Even after approval of the new version, the declaration was not ready for promulgation by the end of the session, to the disappointment of many.

As for the religious liberty declaration, the Pope rejected it, although he sent word to the Council that it would definitely be taken up at the next session. The presidency, a steering 12 cardinals, first announced its decision not to allow a vote on this declaration. A group of prelates numbering about 120 from Spain and Italy "had asked for more time to study the declaration". Then American bishops together with Canadian and European progressives drew up a 1,400 name petition for immediate vote which the Pope rejected — all this, after undignified, unpriestly chaos. The battling factions were the liberal bishops (mostly Americans) and the conservatives (Latin Americans, Portuguese and Italians).

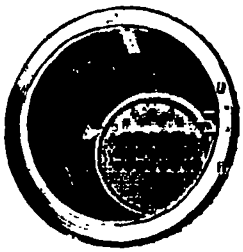
Religious Freedom

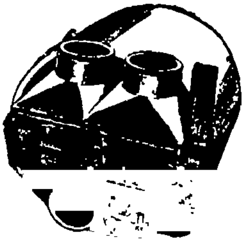
The controversial declaration is on full freedom of religious choice, opposing interference with that freedom by any Church or State. The Roman Catholic Church must become the champion of religious freedom, man must be given decent respect for his opinion. "Even if a conscience is in error it must be allowed to err". The antiprogressives say that this would lead to disaster and the collapse of the Catholic hierarchy in certain countries. The World Council of Churches on November 26 issued a bulletin which said: "when a large majority of the Council expressed itself in favour of religious liberty, it was thought that the time had now come when one of the most difficult problem of relationship between the Roman Catholic Church and other churches could be solved. It is, therefore, a very real disappointment to find that the present session of the Council is ending with a vote on the subject as to the official position of the Roman Catholic Church in this matter". Since the liberals are more numerous, the others are obliged to use underhand means.

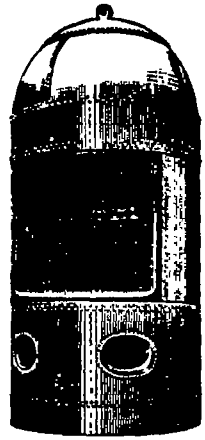
The fourth and final session of the Council will discuss the Church in the modern world. It will consider two questions of great importance: morals in marriage, and war and peace. Most probably the progressives will triumph. Pope Paul's statements on contraceptives, disarmament, aid for development, world poverty and the strength-

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ening of international institutions are eagerly awaited.

The Pope celebrated mass every day before the meetings, but was rarely present at the debate. Pope Paul wants to continue what Pope John began, but he lacks his predecessor's personality and does not seem to be made of the same stuff. At the closing of the third session, he made it clear that although he had promulgated a schema by which Bishops were given the right to share in the Church's government, his own position as Supreme Pontiff remained unchanged. The authority of the bishops was not in contrast with that of the Vicar of Christ but in harmony with it. Nothing truly had been changed in traditional doctrine. But, it is expected, new problems of the modern world would make him gradually more disposed to consult the Bishops.

Pope Paul expressed the hope that the doctrine in the Schema on the Church would be "kindly and favourably accepted by Christians as yet separated from us" and that it would stimulate them to a revision of their own ideas and attitudes which might bring them "closer to our community and, God willing, make them one with us" (never "us with them", but always "them with us"!). On the question of religious liberty, the Pope said that much as he would have liked to see it approved at this session, he would have created a grave scandal had he overruled the Cardinals of the Council presidency who were doing no more than following the rules. The document had been substantially changed and that was more than sufficient to justify the presidency's action.

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More Italians Vote Communist

Togliatti (he *was* the Italian Communist party for a quarter of a century) was dead and had left behind a testament of disagreement with Soviet Communism. Khrushchev had disappeared, the Sino-Soviet rift had shown no signs of healing, Pope Paul at the Vatican was continuing on the 'progressive' path chartered by his predecessor—all these factors, it was thought, would redound to the disadvantage of the Italian Communist Party when nearly 33 million Italians voted in local and municipal elections last month. But, in fact, the communists have gained 2 to 4 per cent votes everywhere. The explanations are many. There have been strikes and popular unrest; the government has been powerless and the coalition is shaky; the Catholic party lacks a political personality and a leader; the Church backs the Democratic Christians who are attacked by the right and by the left; Nenni's Socialist Party has alliances with the Communists in trade unions and at the local level on the one hand, and with the Government on the other. But perhaps more than anything else, it is the independent line of the Italian Communist Party which has helped it to gain ground steadily. In the municipal elections the hammer and sickle was missing from posters and the party concentrated on the middle class. The younger leaders aimed at the Catholic vote and supported small businessmen and shop-keepers. "Each year we help scores of Bologna workers to become small factory owners", a communist official in Bologna is reported to have said. The communist-run co-operative department stores and industrial and agricultural organisations are managed on capitalist lines with loan from banks and re-investment of capital.

The Italian Liberal Party, representing big business and the land-owners, won the other big success in the elections. So it is the extremists that are moving in with the centre parties weakening. The Democratic Christians, having rejected the rightist parties, found themselves isolated; they got 37 per cent of the votes. Altogether the coalition got 56.5 per cent with only the Democratic Socialists scoring any gains. The communists won 25 per cent of the votes. Both the communists and the Liberals gained about a million votes each.

When the election results appeared, rightist leaders and sections of the press demanded that the Christian Democrats should break up the coalition with the Socialists. The Socialists' alliance with the communists in the trade unions and at the local levels disturbs the conservatives. But the facts that the coalition has lost support because of the inflation, widespread unemployment as well as numerous scandals in the Government.

Social Democrats Get Ready

In Germany the Social Democratic party has had a most satisfactory election. The Social Democrats have been the opposition since the creation of West Germany in 1949 and, for the first time, in the recent State elections they have won more votes than the ruling party, the Christian Democrats —12.4 million votes against 12 million. Soon after the successful election the party held a 5-day congress in Karlsruhe to launch its campaign for the general elections next autumn. Willy Brandt, Mayor of West Berlin, got a solid vote for another 2-year term as national chairman of the party. He named a shadow cabinet of II prominent party members. Erler, it is thought, will be foreign minister, should the Social Democratic Party come to power. He is deputy chairman of the party and leads the party in parliament; he is said to be pro-American and anti-Gaullist. Wehner, the other deputy Chairman and a former communist, will be the all-German affairs minister; he is considered the brain behind the party's organisation.

The Social Democrats' success is attributed as much to its safe social reform programme as to the open disputes within the government caused by the Gaulle's efforts to confront West Germany with a choice between "pro-Atlantic" integration and a Franco-German alliance. The Social Democrats support the American-sponsored multilateral force and have called for efforts to bring the Common Market and the EFTA closer together. They stand for West German action to prevent the Common Market from becoming a closed group. In Germany itself, the party supports a free enterprise economy, with increased social welfare and long-term planning of public investment.

• • •

Allies Divided

The Council of the Western European Union, which includes Britain and the Common Market Six, met in Bonn for talks on the Nato mixed-manned nuclear fleet project. The French Foreign Minister was absent in a crisis caused by de Gaulle, who is expected to announce withdrawal of French units from Nato, reflecting the growing policy split with the U S. Meanwhile, time is running out. If the signing of the M L F treaty is delayed beyond March, it might not be possible to get it ratified by the West German Parliament before the elections in September. No wonder Chancellor Erhard is pressing for concrete results before that.

British ideas on nuclear weapons control are being worked out at the time of writing. The Labour Government wants a quick solution of nuclear weapons control problems facing the Nato alliance. Wilson has strongly criticised de Gaulle, believing that efforts to create a separate nuclear force independent of Washington would force

Americans to make "a serious reappraisal of their attitude to Europe". The Labour Government is ready to put all Britain's nuclear weapons unreservedly under an Atlantic command. There are, of course, certain safeguards which Britain expects to be provided. From the U S, Britain wants a greater say in the management of a global deterrent, and from West Germany, Britain wants acceptance of a political control system with a foolproof veto to ensure that West Germany can never pull the nuclear trigger by herself. Immediately, Gordon-Walker is seeking German reaction to suggestions that the mixed-manned naval part of the Atlantic force should be much smaller than the fleet of 25 Polaris-equipped surface ships as envisaged in the present M L F plan. This would reduce German influence in the force. On the M L F, Britain's voice carries considerable weight since several NATO countries, the Netherlands and Italy for instance, have made their own stands on the M L F in part dependent on British participation. In Washington President Johnson, waiting for the British proposals, has over-ruled MLF zealots in the State Department.

U S — German Agreement

Meanwhile, an agreement of some significance was signed in Washington between West Germany and the U S last month. The U S wants contracts for American engine firms which are working overtime to reduce Britain's jump-jet lead. There is to be an American-German jump-jet, the VAK 191. The use of American engines would end Britain's last hope of making big money from foreign sales of the Hawker 1127 or the supersonic 1154. VAK 191 is being built by a consortium of German firms, among them Focke-Wulf who designed it. The British Government first encouraged handing over of blueprints in the hope of receiving orders from Germany to offset Britain's 85 million pound a year bill for maintaining the Rhine Army. This future of the Hawker 1154 is to figure prominently in the current defence talks. The VAK 191 is for possible use by the Nato forces.

With the American-German pact, the training programme for German soldiers in the U S has been expanded. By the end of 1966, 16,000 West German missile specialists will have been trained. Germany will spend on average some 250 million pounds a year in the U S over the next few years. It is buying 3 rocket-carrying destroyers at the cost of 55 million pounds, the first delivery to be made in 1969. The U S and Germany will jointly manufacture 200 Bell helicopters and there will be a joint venture to produce a new battle tank to be made in Detroit and Augsburg, Southern Germany. The Americans are buying substantial numbers of 20 mm automatic guns used in the German forces. America is also sending 12 defence planning experts to the German Defence Ministry in the next three years to build up a new department of Operational Research.

The agreement with Germany shows Washington's determination to continue its major role in Europe; it also gives new hope to German Nato policies. Despite the vote by the West Germany's ruling Christian Democratic party to delay German participation in M L F, West Germany's position as America's principal military ally has been further consolidated in everything except in formation where the exchanges with Britain are greater. Significantly, *Tass* has found it necessary to warn Bonn that it has no right to enter any new agreements which violate or evade the Potsdam treaty or any other post-war agreements between the allies.

French reaction to these developments have not been long in coming. Andre Fontaine, Foreign Editor of *Le Monde*, comments that if Germany enters the atomic foreign legion of the U S, a united Europe will no longer be possible. De Gaulle himself is *reported to have told Adenauer that any* precipitate action by the Federal Republic on the M L F would jeopardise the entire E C M. French official circles have taken to calling the multilateral force the multilateral *farce*.

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Book Review

The Not-So-Quiet Crisis

S K Nath

Quiet Crisis in India by J P Lewis; Asia Publishing House, Bombay, 1964; pp xiv+350. Price Rs 8.50.

PROFESSOR John P Lewis considers India's development effort of fundamental importance to the U S A. and to the non-Communist countries in general, for reasons which are familiar but nevertheless weighty. He also argues that the sixties are going to be crucial years in India's economic development because the performance in these years will determine how soon India can approach the goal of more or less self-sustained growth and because India has now reached the cross-roads in her political history so that—though economic development is by no means the sole determinant of the political character of a society—the direction in which Indian politics move during the sixties will depend on how much material advance all sections of the community make in this decade. Lewis expresses the fact of India having reached a critical political phase concisely and convincingly as follows:

> "The conjunction of at least three problems— that of the succession to an 'indispensable' prime minister, that of an aging majority party, and that of regional, communal and factional divisiveness means that the system will face a critical test before this decade is out."

Economic Failures

Since this book was written Pandit Nehru has passed away and, though the succession to the premiership has been fairly smooth. beneath all the loud promises and professions of hope, the apathy of the ruling groups has been increasing, just as the divisive attitudes have been gaining strength. The deterioration on the political front cannot be easily measured; but the deterioration of effort on the economic front is easily quantified.

National income during the first three years of the current Plan grew at an average rate of 3.3 per cent per annum. Population has been rising annually at least by 2.2 per cent. The net result has been only a slight improvement in recent years in the per capita income. The performance in agriculture has been the most disappointing; over the last three years over-all agricultural output has at best remained constant, while the output of foodgrains has actually declined over the last two years. Similarly, the production programmes in a number of manufacturing industries are seriously behind schedule. These failures have dramatically impressed themselves on the mind of the public through the steep rise in the cost of living during the last two years. This is exemplified by the rise in the index of the wholesale prices of food articles from 131.5 in August 1962 to 138.6 in August 1963 and then to 165.1 in August 1964. What was a quiet crisis when Lewis finished writing his book in October 1962 was soon to become a not-so-quiet crisis, heralded by the Chinese attack which soon followed.

Justifiable Sense of Urgency

Lewis' book, then, is written with a sense of urgency which is fully justified. It is aimed at two distinct audiences: Americans and Indians. Therefore, there are some parts which do not appeal to an Indian reader because they provide the kind of information and discussion which an American needs; however, these parts are not extensive and the book does succeed in holding attention throughout. It is a lively book but analytically not very deep; nor does the author intend it to be. It is written to be read with interest and understanding by the layman, and admirably succeeds in its task. Of the recent books on the Indian economy written by outsiders, the one by Lewis is perhaps aimed at the widest audience.

After discussing in his first chapter the importance of India and of the current decade in her history, Lewis proceeds in the next six chapters to explain and justify the broad strategy of Indian economic planning, to make some provocative suggestion for specific changes in it, and give some useful comments on implementation. Lewis correctly explains that since India's foreign exchange earnings cannot be expected to increase sufficiently to enable her to import over the next few decades the greatly increasing amounts of machinery (and other products of basic industries) that she is likely to need, she has to try and build on her own a large complex of basic industries now. Thus her (relatively) short term import, and consequently foreign assistance, requirements are great so that her long-term import and foreign assistance requirements will not be so great.

He also has the merit of emphasising that a large heavy industry programme is not incompatible with bringing about a revolution in agricultural practices; as he says, "...the two *need* not conflict to any serious extent, since the scarce inputs they claim are largely dissimilar" (original italics). And in some respects, e g. through fertilisers and pesticides, they are even complementary. Therefore, though he is rightly discontended with our agricultural performance, he does not advocate less emphasis on heavy industry as a means of solving the agricultural problem.

Better Talkers than Doers

Almost at the beginning of his book, Lewis has the following penetrating observation:

> "The Indians are better talkers than doers, better planners than executors. Their very erudition means that they already have heard everything and tried very nearly everything, after a fashion, But too often the execution is half-hearted, inept, or bogged down in cross-purposes. As a result, there is a rapid deterioration of good policy ideas; they grow shabby before their time."

Our sluggishness in implementation is indeed the main theme of this book; through all its discussions of our multifarious economic problems (of agriculture, of employment, of exports and so on), one can always hear an echo of the basic theme that we are better talkers than doers. And this emphasis is wholly justified. If the production plans of a number of our industries are behind schedule, it is not because of the shortage of foreign exchange; even where the necessary foreign exchange has already been arranged, construction is desperately slow: the same is true of our performance in agriculture and employment.

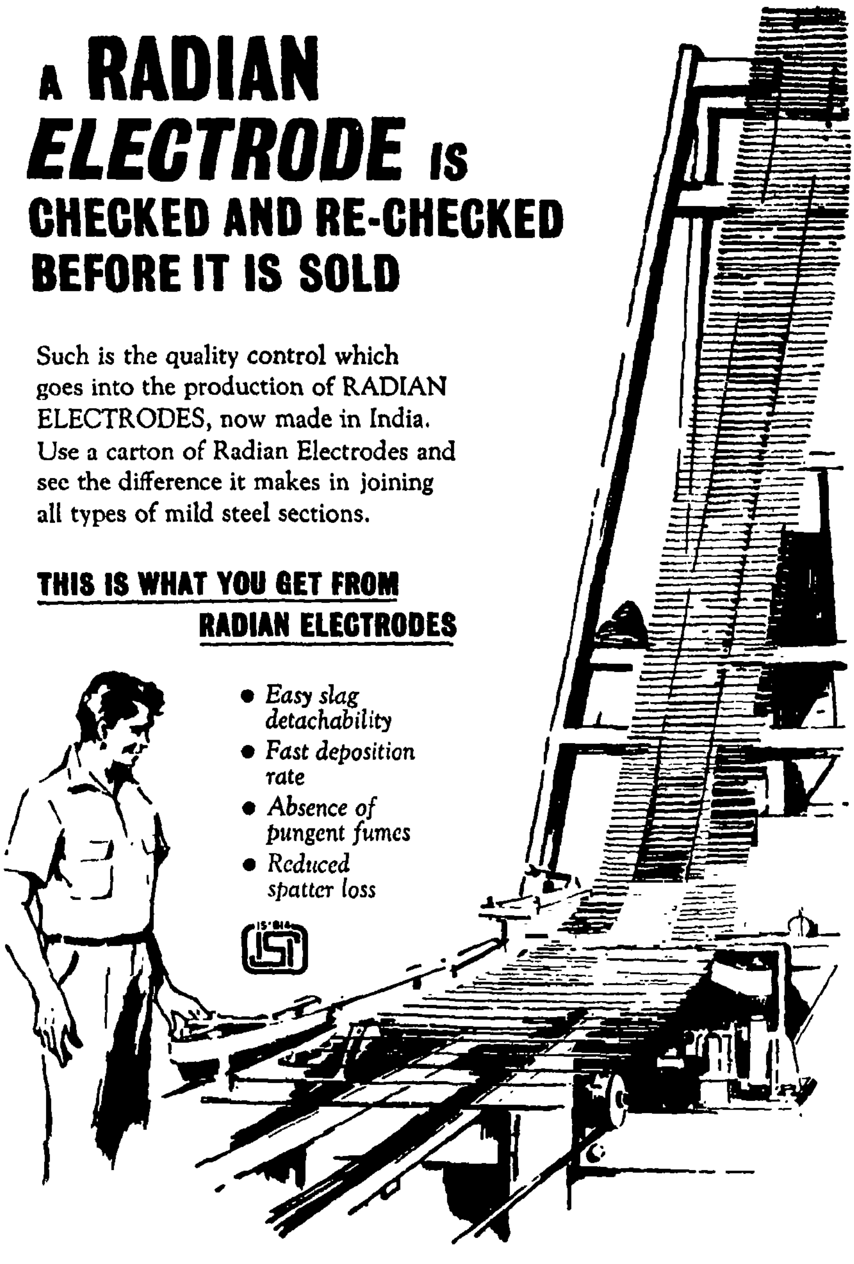
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A basic cause of all our failures is poor organisation.

What shows up both as a symptom of our relative lack of concern for implementation and also works as one of the causes of indifferent implementation is the lack of detailed year-to-year phasing of our plans. The need for adequate phasing of our plans, in full knowledge of all the time lags between taking a decision and carrying it out (and coupled with efforts to minimize these time lags), was strongly emphasised by W B Reddaway when he came here to look at our planning methods. Lewis now adds his own arguments to Reddaway's. He rightly argues that the lack of adequate phasing in the Third Plan is "gravely inimical to its administrability as an action progress ..' If unnecessary delays are to be avoided, and if there is to be a ready and frequent checking of implementation of the plans, there has to be "a series of annual requirements and resources budgets". Even before Lewis finished writing his book, the Planning Commission had been having some sort of annual plans, but without any apparent improvement so far in the performance of the Plan.

Planning Backward

It is a little surprising that Lewis should be advocating what he calls the "planning backward" approach, the essential idea of which is that instead of deducting the total amount of feasible investment and then deciding on its allocation, planning should start with targets of final (public and private) demand and then work backwards to input requirements, by a reiterative process balancing the required outputs and inputs over suitably chosen phases of time. This has been professedly the Indian practice, though its adoption may not be whole-hearted yet.

Lewis also comments on the lack of executive power on the part of the Planning Commission. Its political influence and the power to affect the implementation of its plans depend on the degree of enthusiasm the Prime Minister or the one or two other minister members happen to feel for the Plan. This is obviously unsatisfactory. But remedies are difficult to devise, and Lewis suggests none. As it is, the Planning Commission is being criticised for having become a little like a super-cabinet. The irony is that effective planning and implementation of economic development can only be done by a super-cabinet. But surely the responsibility of execution must grossly rest with the Government and could not be passed on to the Planning Commission.

Case for Rural Works

Though Lewis remarks that the Indian government suffers from "an unemployment neurosis" (the government of a country where currently there are about 12 million unemployed ought to have such a neurosis), he does largely appreciate the importance of greatly increasing employment opportunities He also rightly criticises the attitude which opposes all innovations that displace labour; but he fails to see that there are some labour-saving innovations which do often need to be opposed. The difficult choice of multi dimensional criteria on which to choose labour-saving innovations is not discussed by him. Lewis does, however, make a strong case for "a massive expansion of labour-intensive public works activity". Though the steep rise in most prices since this book was written must make one cautious about injecting a great deal of extra purchasing power into the economy, quick-maturing rural public works can achieve a lot given effective organisation.

Lewis's comments on our agricultural programme are most pertinent. He remarks on the low social status of agricultural officers, on the low prestige of the agricultural ministry at the Centre and in the States, and on the general neglect of agriculture in practice inspite of all the noises usually made about it. His solution of the agricultural puzzle is to condition the Indian farmers to want more money income for more consumer goods which should be imaginatively dangled before them. He recommends close attention to the method of retailing cheap consumer manufacture in the countryside. Since the "democratic" co-operative movement has failed, he suggests as an alternative service "co-operatives", run by an outsider, which "can be a vehicle for a vigorous extension of retailing-- not only of farm implements, spare parts, supplies, and building materials, but of fabricated consumer goods-- into the remote reaches of the rural economy". These service co-operatives could also provide credit and local warehousing facilities. These suggestions definitely seem worth a vigorous try on a small scale.

Indian planning, according to the author, has tended to suffer from visualising a false rural-urban dichotomy. The aim, Lewis thinks, ought to be a continuance of economic activity from large cities through medium cities to villages. According to an estimate in the Third Plan, by the end of the Fifth Plan the share of farm labour in the total labour force will decline to 60 per cent from 70 per cent in 1961. Lewis argues that if all this new industrial labour is concentrated in the large cities there will be serious housing and social problems. On the other hand, if most of the industrialisation takes place in medium cities (after the pattern of Ludhiana), then most of the new industrial workers can continue to live in their traditional houses and daily travel to work. But what of the external economies which large cities with established industries tend to offer to new industry? Perhaps such external economies are also to be offered by the medium cities, or can relatively easily be developed there. In all probability quite a lot of this new expansion will naturally go to medium and small cities. But Lewis' point is that there ought to be a deliberate encouragement of this.

Location of Industry

There can be no doubt that Lewis is here drawing attention to a largely neglected aspect of economic planning —namely the spatial distribution of industry. Though we cannot afford to start preventing industry from expanding in large cities if that would run the risk of its not expanding anywhere, it definitely is worth finding out what inducements will suffice to attract a great deal of new industry away from the largest cities. Therefore, we must welcome Lewis' suggestion for establishing a central analytical and research unit for such tasks as preparing "an inventory of town characteristics", undertaking "studies of the industrial-scale and market-size implications of technological choices", and so on.

About the role of private enterprise in India, Lewis argues that whatever impression the pronouncements of the government on the subject might create, in practice the outlook for private enterprise (both foreign and native) is attractive. About exports, a strong plea is made for the developed countries to adopt a more liberal attitude towards exports (particularly of manufactures) from under-developed countries, and there are also some pages of useful advice on how to improve our export performance. The suggestions are not entirely novel, but

some recent vigorous action on similar suggestions has produced impressive results. "The whole texture of operations" of the Indian development effort, however, Lewis finds "discouragingly shoddy" and for the moment, the norm continues to be the one which:

"any Western observer encounters *in the course of transacting his personal business with* the post office and with other minor officialdom and sees again and again in the loitering in government corridors, the untidiness of government offices the thoughtlessly roundabout, time consuming administrative routines, and the massive redundancy of paperwork".

US Aid to India

It is, however, the chapters reviewing American aid to India which are the most significant feature of the book. Lewis first surveys the era of cross-purposes, which began in 1951 and came to an end in 1959. There are, however, still a number of important improvements to be made. In the process of suggesting them Lewis debates a number of important issues in international economic aid relationships.

Starting from the premise that it would be unrealistic to expect the US Congress to channel much aid through multilateral (*via* the World Bank, etc) instead of bilateral arrangements, because the aid giver naturally likes to retain some power of reviewing the use of the aid sanctioned by it, Lewis goes on to discuss how in the past the U S aid to India machinery suffered from too wide a diffusion of authority at both ends. The Agency of International Development (which was set up in 1961) he thinks, has largely removed this defect, though he would have liked A I D to have been properly linked with the PL 480 programme and the Export-Import Bank.

The author then turns to a discussion of tying of aid to projects. While scrupulously elaborating all the Indian arguments against it, he remains largely unconvinced. The chief reason why he favours project-tied aid is that it is an excellent way of transmitting "meaningful technical assistance". This argument is considered particularly strong because Indian planners have a tendency to underestimate the amount of technical assistance we need. Lewis does recognise, however, that there is a large element of maintenance goods in our net import requirements; therefore, he is all for adequate provision for them but through "a major special assistance supplement that is non-project oriented." He would like the administration of this supplement to be largely in the hands of the American aid representatives in India. (Incidentally, one of the defects of the past, according to Lewis, has been inadequate delegation of authority to these local representatives who necessarily have better and more uptodate knowledge about Indian needs than the authorities in Washington).

Before 1959 American aid to India was not tied to the country of origin. All other countries' aid was. But after that year, the balance of payments difficulties of the U S forced her to follow the example of other countries. Lewis argues that we ought to take kindly to this action in view of America's balance of payments difficulties. However, he admits that the American producers' prices for capital goods have tended to be much higher than their competitors'. Moreover, he argues that tying aid both to specific projects and to the country of origin can sometimes result in India having to buy the relevant capital goods from just one of two or three possible producers. He recommends that whenever such a monopoly situation results from double tying, the country of origin restriction ought to be waived.

Against Long Commitments

On India's desire for long-term commitment and "continuity" in aid, it is worth quoting Lewis at length:

"The plea for greater continuity in the Indo-American aid effort, as well as the length of the obligations that have been incurred on individual multi-year projects, is in large measure the result of weak programme phasing and inadequate inter-government communications. Assistance is solicited and received for many uses long before it is needed (and then stays earmarked and idle) while other unanticipated near-term foreign exchange needs keep turning up, creating minor crises, and generating new demands for more 'continuity' (that is, more idle balances). A more thorough and reliable year-by-year phasing of the project and non-project foreign exchange requirements, extending at best three years into the futu would allow the United States ai rendering agencies to ration th currently available funds to u: with the highest time priorities ar at the same time, to ready the Congressional requests for wher withal to handle to next wave requirements".

Then there is the important issue the form of aid, i e, the various kin of grants and loans. Because of Co gressional reasons, not all aid can i in the form of outright grants. Tl author prefers most 2 per cent fori and fifty years loans.

Lewis' discussion of blocked rupe funds is among the most interestin parts of the book. These funds hav been created by 'soft' dollar loans an PL 480 aid. Expenditure for develo ment purposes of PL 480 rupees nee not be inflationary, if it is properl timed with the sale of imported surplu food. But Lewis shows concern at th way these accumulated rupee funds ar growing because a great portion o them is reserved for revolving fun use. By the end of the current Plan U S rupee holdings in India are likel *to aggregate Rs 800 to 900 crores* that would amount to about one-fift of the total at that time in the coun try of demand deposits and currenc in circulation. He recommends tha the U S must sanction the use of a much larger portion of their accumu lated rupee as grants rather than loan to the Indian government.

It is a pity that the Indian editior of the book was so long delayed. I deserves to be widely read in India but coming out full two years late than the American edition it may mis the bus, which is a pity. Lewis is topi cal, provocative and very readable. The timeliness of its apearance matter much, for Lewis did not set out to write immortal prose nor a book for al times.

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Planning from Below

Why and How

H K Paranjape

"Attempts to formulate plans at the local level and, as it were, to plan from below have so far met only with partial success".

The confession is the Planning Commission's. As a summing up of our experience till now, it is an under-statement.

Attempts have been made at the time of formulating the Five-Year Plans to encourage the preparation of district, block and village plans but they have had very little impact on the formulation of the overall plan either at the State or the national level. All that is happening is that in certain sectors like agriculture, the State plans have been broken up in financial terms into district plans. When discussing planning from below we begin, therefore, with a more or less clean slate.

What should be the basic planning unit at the local level? What should be the composition and functions of the planning agency at this level?

FROM very early stages of Indian planning, the idea of planning from below has in principle been accepted. While in the case of the formulation of the First Five Year Plan, there was inadequate time and opportunity for working out a full-scale plan even for the States and certainly for the Districts, to some extent, preparation for this kind of planning had been made earlier. As a part of the work done in various provinces regarding post-war re-construction, development programmes for different districts had been worked out in certain provinces. The First Plan, in essence, only brought various development programmes that were already under way together in a systematic way. To that extent, District Development Programmes had been a part of the First Plan.

No Attempt to Concretise Schemes

When work on the Second Plan started, it was recognised "that plans for districts and villages had to be fitted within the framework of State plans prepared from the point of view of the country as a whole". The Draft Outline of the Second Plan further mentioned that the State Governments in formulating their draft proposals had taken account of plans which had been prepared for villages, towns and districts. It was pointed out that district plans were of pivotal importance so as to bring the plans "as close to the people as possible" and to use them as "a means for solving the pressing practical problems of each local area and, through local community participation and cooperative self-help, to augment the total effort and provide greater scope for local initiative and leadership". Though the basic framework of the Second Plan was prepared at the Centre, the idea then was that the details in the framework would be settled on the basis of further work by functional and regional organisations. But this did not happen in practice. The plans that were prepared in villages and districts proved to be large conglomerations of various kinds of schemes and ideas without an attempt to concretise the schemes or to work out how these could be implemented in terms of the resources that could be raised in the districts or villages.

Emphasis Changed

In the Third Plan the emphasis was slightly changed in that there was an expectation that the new Panchayati Raj institutions that were being set up would carry out the function of working out the plans for districts, blocks, and villages. The Draft Outline of the Third Plan emphasised the importance of block plans in certain sectors of development and indicated that in respect of programmes relating to agriculture, cooperatives, village industries, elementary education, rural water supply and other amenities and works programme for employment. Block and District plans would provide the basis for the formulation of State plans. But it does not seem as if the Block and District plans in any real sense got coordinated in the State plans and ultimately in the National Plan. It is too early to say how far the District and other local plans would be important in the formulation of the Fourth Plan but from such knowledge as one has about what is happening in regard to the formulation of the State plans, it would probably be not unrealistic to say that there would not be much of a change. The conclusion stated in the "Planning Process" (Published on behalf of the Planning Commission) that "Attempts to formulate plans at the local level and, as it were, to plan from below have so far met only with partial success" has therefore, to be accepted as the valid statement (an under-statement) of the experience up to now.

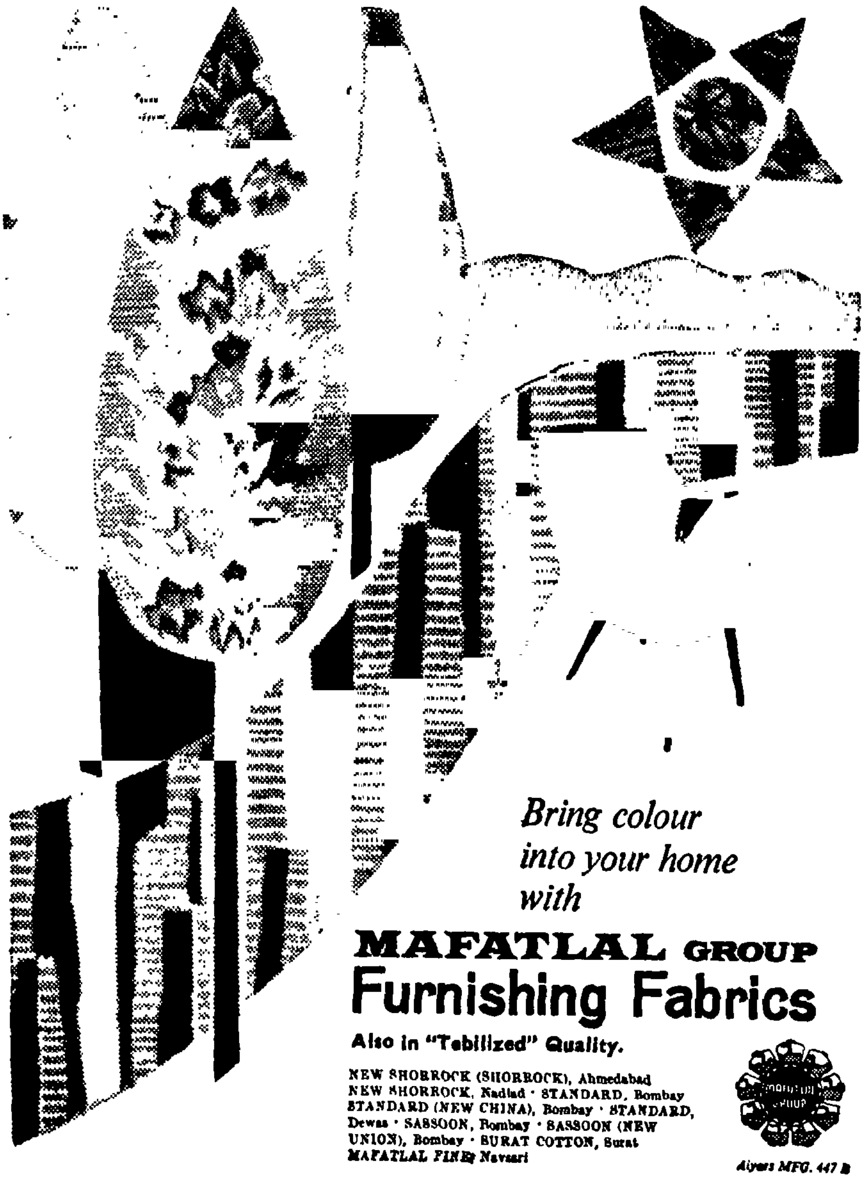
To what extent is planning from below necessary and possible? Looking at the nature of a National Economic Plan, it is obvious that there can be no such plan which is entirely based on ideas and programmes emanating from various functional and regional agencies. A sum total of such ideas and programmes cannot make a cohesive and operational national plan. Planning would necessarily require an overall design and a balanced programme of development of different sectors and regions, taking into account the overall requirements of the economy; and this function can only be carried out by a Central Planning Organisation. But in the light of this overall framework, detailed working out of projects and programmes can only be done by various functional and regional agencies. Planning cannot be either from above or from below. Planning can only be done by ensuring a continuous two-way process of consultations.

At the national level, the planning machinery has been well organised by now. It may have various defects; but at least there is an organisation that is responsible for preparing the National Plan and it has been operating for over 14 years. Special emphasis on planning from below may therefore have an operational significance at the present time.

Why Plan from Below?

Planning from below has to be specially emphasised in a context like the one faced by us in India for the following reasons:

(i) The problems faced by us are so difficult, the development required is so large and the possibility of mobilising required resources by way of Central and State revenues is so limited that,


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for maximisation of effort, it is essential to explore the possibility of local mobilization of resources for local development. Experience has indicated how difficult it is politically for State taxation of especially rural incomes to be increased. It is however obviously not possible to go on increasing our development effort if no increase in the contribution from rural incomes is forthcoming. It may be possible to mobilize resources more effectively for development efforts that are planned and implemented locally. It is essential rapidly to change the approach that appears to have developed in the past decade that plan effort largely means the utilisation of finances provided by Central or State authorities for whatever has to be done in various areas. This has to be replaced by an attitude of self-help. This may of course be intensified through properly worked out schemes of matching grants and assistance in terms of specialised personnel and industrial inputs.

(2) The sectors in which our development has been specially slow are those of agriculture, small scale industries and related sectors. A Central Plan can only provide certain broad guide-lines for developments in these sectors. But for effective results to be obtained, specific schemes of development have to be formulated on the basis of detailed knwledge of the local situation. Scientific knowledge and techniques have to be applied in a concrete way to the natural and human resources available in the given area and an operationally feasible programme has to be worked out. This can only be done if there are effective planning agencies at grass-roots levels.

(5) The necessity to integrate sectoral schemes of development so as to ensure coordinated and balanced growth needs no emphasis. This approach, however, has up to now not led to the development of area planning units. Development of various kinds of industry, agriculture, transport, social services etc. have to be coordinated so as to ensure that in terms of the mutual balancing required in these sectors, the maximum utilisation of the potential created and proper coordination are achieved. Urban, semi-urban and rural areas in a given region have to be thought of together when the possibilities of further development are worked out. This can only be done if sectoral development programmes are integrated not only at the National and the State levels but also at levels much below these.

Area Planning

The next question is what should be treated as the basic unit for this kind of area planning. For some years after the inception of planning, the emphasis was on the village as the basic unit for planning. Gradually, the role of the development block and the district began to receive somewhat greater attention. With the development of Panchayati Raj institutions, it came to be increasingly realised that the basic unit for the plan has to be not the village but a larger area (either a Taluk or a District). But even now the large urban areas in the Taluk or the District are usually left out of the Panchayati Raj institutions. There is therefore no institution at present which is effectively in a position to carry out the function of area planning for a Taluk or a District as a whole.

In practice, even State plans have not been full-scale area plans. While the State Governments do include in their plan proposals certain programmes for the development of private sector industry, concretely they are confined to the programmes that the State Government proposes to undertake directly under its auspices or sponsor through State institutions. There is little attempt to work out an integrated development plan for the State as a whole with thought being given to what the Union Government and the organised private sector would be doing in the State and, from that point of view, the complementary programme that the State Government should undertake or sponsor. The planning machinery in State continues to remain weak on the technical side. When this is the situation, it is no wonder if district, block and village plans have hardly amounted to being properly integrated area plans. While attempts have been made at the time of formulating our Five-Year Plans to encourage the preparation of district, block and village plans, they have had very little impact on the overall plan formulation either at the State or at the National levels. In reality, what is happening is that in certain sectors like agriculture, the State plans have merely been broken up in financial terms in district plans.

The Planning Commission has emphasised the importance of district, block and village plans for many years now but what this means in terms of planning organisation and methods has hardly been worked out. It is necessary therefore that concrete measures for developing area planning organisations should be taken at an early stage.

District as the Basic Planning Unit

Economic transformation and development of rural India involves not only an intensification of the agricultural and related sectors but also the development of small and medium industries which would provide increasing employment to the unemployed and under-employed in the countryside, utilise other local resources (especially raw materials) and also cater to a certain extent to local requirements of various kinds of commodities. The development of schemes for evolving a rational pattern of land use, soil conservation, minor and medium irrigation, rural electrification, transport and social services requires the formulation for whole areas. If the over-all development of the given area is to be thought about in an integrated way it is essential to think in terms of developing existing or new centres which would be semi-urban in character and which would be the nuclei around which various developments in that area will revolve. This can only be done if the area is not too tiny for such an integrated programme to be worked out.

The kind of transformation that has necessarily to be brought about requires a new kind of leadership, political, administrative and technical. If one village or a small number of villages is taken to be the basic planning unit, the possibility of the traditional kind of village leadership dominating such a set up is much greater and major changes are at least not likely to be appreciated by this leadership if not actively resisted. The possibility of getting somewhat more enlightened political leadership for a district would be greater. As regards administrative and technical leadership which is essential for systematically and scientifically working out development programmes, it would obviously be quite impossible to ensure in the near future the availability of competent personnel for areas smaller than districts. The task of providing adequately competent and trained personnel for all the districts for this kind of work is itself going to be difficult enough; but it would probably be possible to achieve this if early steps are taken for meeting the requirements.

If the idea of making the district the basic planning unit is accepted, this should be taken to imply that the district planning agency would be em-

powered to think in terms of a co-ordinated development plan for the *district as a whole, irrespective of the* particular executive agencies which would implement the different programmes. Panchayati Raj Institutions, Municipal Institutions, State Government Agencies, and in some cases, Union Government Agencies may all be executing different kinds of schemes and programmes in the district; but to ensure that all these programmes are coordinated in such a way as to ensure a well integrated development plan for the district as a whole, it would be useful to have a district planning organisation which would be independent of (though working in co-operation with) these agencies. Probably it would be useful to vest the routine administrative control over the district planning organisation in the District Officer. For technical and functional purposes, the District Planning Agency should be responsible to the planning agency at the State level.

District Planning Agency

In order to ensure that this District Planning Agency operates effectively, its main functions will have to be worked out is a correct perspective. These might be :

(I) to pool together knowledge about the natural and human resources in its area and the economic and social conditions and development trends in it; and to try to fill the gaps in information wherever these are found to impede the formulation of development programmes;

(ii) on the basis of this knowledge and in the light of National and State Plans, work out the development plans for the district: (in respect of this function) this agency will itself have to arrange for schemes and programmes to be worked out for the district in sectors like agriculture, small and medium irrigation works, small and medium industries, road transport, electric supply and social services; it will also have to take account of National and State Government sponsored schemes and programmes in sectors like large industry, large irrigation works, etc. that are likely to affect the district in any way, and adjust its own perspective of district development to these.

(iii) continuously appraise and evaluate the working of the development plans and suggest corrective actions to the appropriate executive bodies.

The bulk of the work for conducting studies and investigations and *for the preparation of detailed schemes of development can only be sponsored* by the District Planning Agency; it will have actually to be carried out by various other agencies whose services will have to be drawn upon by this Agency. Each district is likely to have district level officers for all the major State Government activities such as agriculture, education, health, public works, irrigation, road transport, etc. The municipal and Panchayati Raj institutions in the district would also have their technical staff. The staff of academic institutions located in the district could also be put to appropriate use in this connection. The Agency itself should only have a small but really capable staff. It would probably be necessary to have a Planning Officer specifically trained for this work and also having experience of development administration. It may be necessary to provide for a Statistician, an Agro-economist and an expert in Town & Country Planning. It is important that this core staff should be specially selected for their competence and the training they have received and their conditions of service should be such that the team will be able to concentrate on the same work in a given district for a sufficiently long period.

This expert organisation will have to work in such a way as to carry conviction to the various political and executive agencies in the given area. For ensuring organisational coordination, it may be useful to have a District Planning Council consisting of the representatives of the Zila Parishad or the Panchayat Samities, Municipal Institutions, the District Cooperative Bank, etc. and the District Officer should also be associated with it. There should be another committee (with the District Officer as the Chairman) consisting of the top administrative and technical officers of the main executive agencies operating in the district. It would obviously be necessary for a number of study teams to be set up under the auspices of these two bodies to carry out the task of working out studies and specific development schemes and programmes.

How to Proceed ?

The major difficulty in implementing such ideas at the moment is that there is no model of a District Plan which has been systematically and scientifically worked out. The immediate task, therefore, must be to arrange for such model technical plans to be worked out in a few districts. This will provide some indication as to the kind of work that the District Planning Agencies will carry out. Such clarification is also necessary in order to develop an appropriate training programme for building up a corps of District Planning Officers. It would probably be fatal to start this experiment unless such basic models have been attempted and training courses carefully devised for building up the District Planning cadres.

Once this is done, it may be possible to make a beginning in a substantial way by trying to organise such District Planning Agencies in a small number of districts. Perhaps the districts which have already been chosen for the Intensive Development Programme may appropriately be selected for this purpose. While it will obviously not be possible for such newly set up agencies to work out district plans for the Fourth Five Year Plan, it may be possible for them to make a beginning by way of working out three-year district development plans which will cover the last three years of the Fourth Plan. Even this may be mainly treated as a method of training personnel and building up understanding so that district plans for the period after 1970-71 can be effectively prepared by these agencies. If the experiment is found to be working successfully, the idea can be gradually extended to cover more and more districts.

Ordnance Factory

A NEW ordnance factory goes into production at Bhandara near Nagpur today for production of modern military explosives and propellants. This will be the third factory to be commissioned after the declaration of the emergency, the first two being the Cable Factory, Chandigarh and the Ordance Factory, Varangaon.

The estimated cost of the project is about Rs 16 crores with a foreign exchange element of nearly Rs 4 crores. When in full swing, the factory will be in a position to save about Rs 4 crores per annum in foreign exchange for the country.

The plant and ancillary equipment for the manufacture of various explosives and intermediary chemicals have been procured from the U K Sweden, West Germany, Belgium and France. The import of plant and equipment was restricted only to complicated and unavoidable items and the remainder was procured or fabricated indigenously to conserve foreign exchange expenditure.

Factor Shares in Indian Agriculture

N K Thingalaya

N S Shetty

An attempt is made in this paper to estimate factor shares in farm output in India, using primarily the data available from the reports of the Farm Management Studies. This is a simple empirical exercise yielding some rough approximation of the shares of different factors engaged in agricultural production. On the basis of these data some observations on the functioning of the farm economy in the various size groups are made.

The attempt is modest, the method adopted is somewhat crude, but the results obtained are found to be highly interesting and encouraging.

THE Reports of the Studies in the Economics of Farm Management[1] provide some useful information regarding the functioning of the farm economy in the various size groups in the selected States. However useful the information at the farm level may be, complete reliance on farm management data for macro-level analysis may appear to be questionable. The Farm Management Studies covered only 12 districts in 6 States and national total figures obtained on the basis of these samples may seen to be of dubious validity. Again, in view of the diverse agricultural practices followed in different parts of the country and the variety of soil-climate-crop complexes, drawing a general picture for the whole economy based on selected regions may not be free from objections. It is, however, believed that the statistical data from the Farm Management Reports provide an adequate basis for deriving average values per acre at the national level and for obtaining the aggregate figures of output and input for the whole farm economy. Since the purpose is not so much to measure precisely the magnitudes as to indicate the broad orders involved, it is assumed that the six States are adequately representative of farm conditions in the economy. There is sufficient diversity in these in crops grown, yield rates have a good range of variations and agricultural practices and technologies are also suitably represented. This has been confirmed in the introductory note by Professor D R Gadgil, Chairman, Committee of Direction, which points out that in each of the six regions two contiguous districts have been selected for study in such a way that they represent the most important and typical crop complexes in the States concerned and that these six regions taken together represent the major cropping patterns in the economy.[2] It is needless therefore to emphasise that with proper methodology the Farm Management data can be used for an analysis of the macro situation.

The foregoing analysis brings us to the problem of finding out a statistical method for computing the values of the total output and input factors for the national economy from the Farm Management data. The methods adopted to calculate the shores of the various factors are outlined below.

Methodology

The Farm Management data are available for the years 1954-55, 1955-56 and 1956-57 for the States of Madras, U P, Punjab, West Bengal and Bombay. For Madhya Pradesh the data is available only for 1955-56 and 1956-57. The Farm Management studies have collected the data on the basis of both the "Survey" and "Cost Accounting" methods. Since it is found that the final results do not differ much whether we depend on one or the other method and since the dependence on both the methods will increase the coverage of the enquiry, the average of the three years for all the farms in each State (for Madhya Pradesh two years' data on the basis of cost accounting method only) are worked out. The average of the three years may be assumed to be representative of the conditions in each State.

The information available from the Farm Management Studies for each of the States is obtained under the following four groups:

0 -- 5 acres
5 -- 10 ,,
10 -- 25 ,,
25 acres and above

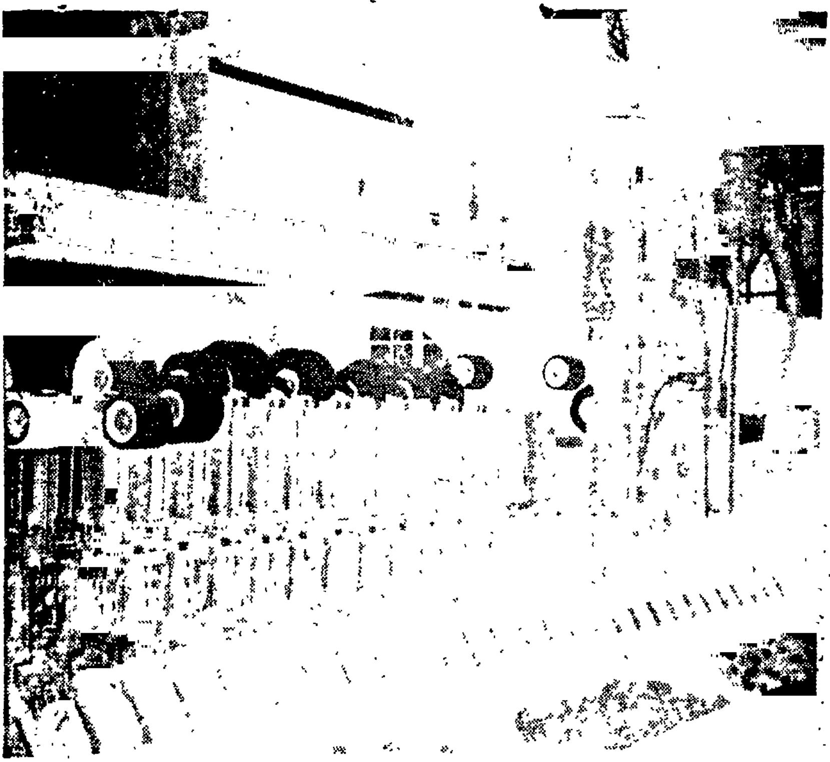
The State-wise data have not been presented in the reports in these groups so they have been readjusted. The distribution of the total cultivated land in each of these size groups in all the six States is available from the N S S Report on rural holdings.[3] The total values of different items for different size groups in the six States are obtained by multiplying the per acre values of each item of different size groups by the total acreage in each size group in each State.

It is found that the total acreage of the six States account for 60 per cent of the total cultivated area in the country. It may be, therefore, reasonably assumed that the data obtained by adding the State totals of different items represent 60 per cent of the total for the farm economy as a whole. In order to obtain the National estimates, the total values of the six States are blown up.

Regional variations being a characteristic feature of the Indian agriculture the simple method of aggregation may appear to be unrealistic. The variations are observed not only in the distribution of total cultivated area in different size groups in different States, but also in the per acre values of farm output and its constituents in different size groups within the State. In view of this, it is thought advisable to calculate the per acre items by giving proper weights to account for these variations. Thus, the weighted averages of per acre values of different States for each acre group is deemed adequate to reflect the national situation in that acre group.

This has been done by taking the percentage share of the area operated in each size group in each State as the weight in calculating the weighted per acre values of different items in each size group. The total area operated in each size group in the country multiplied by the weighted average gives the total output and input figures for those size groups.

The estimates of total output and the factor shares are presented in the Table 1. It is interesting to note that the estimates arrived at by both the methods, viz, simple aggregation and weighted approximation are very close. The total output figures obtained by both the methods Rs 4,247.51 crores and Rs 4,245.02 crores respectively, can be compared with the National Income Estimates of the agricultural output. The three years' average agricultural output available in the National Income Estimates (1954-55 to 1956-



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57) is Rs 4,666 crores[4], which includes the value of the output of animal husbandry and ancillary activities. Since the agricultural output on this study has been taken as the value of only the crop produce and its by-products, the difference between the two may be attributed to the non-inclusion of the output of the animal husbandry and ancillary activities. At the same time it may be noted that the national average of the value per acre of gross crop produce derived by the method of weighted approximation works out to be Rs 133.50. According to the Final Report of the National Income Committee[5] "The overall average value per acre of all crops for the entire Indian Union would be around Rs 135". We may thus presume that the estimates that we have obtained on the basis of the Farm Management data represents the macro-situation fairly.

Estimation of Factor Shares

Factor shares are generally estimated on group basis and net basis. Both the methods of estimation are meaningful for a comparative study of factor shares over a period of time. Since the factor shares are estimated in this paper at a point of time (3 years' average) the estimation of only net factor shares is attempted.

Net income from agriculture is defined as the difference between the total gross income and current operating expenditure. The current operating expenditure is in our analysis synonymous with the cost of cultivation which is roughly equal to the actual cash expenses incurred on bullock, feed seeds, manures and irrigation and depreciation, including repair of implements. The net value of output represents therefore the value "added" to the agricultural output by the primary factors of production: land, labour and capital. It is 'net' to the agricultural sector of the economy rather than 'net' to the farm firm.[6]

The share of labour includes actual wages paid in cash and in kind to hired labour and the value of family labour imputed at the prevailing wage rates of hired labour. Rent has been calculated on both leased and owned land. For the leased land the actual rent paid is considered. Rental value of the owned land has been imputed on the basis of the prevalent cash rent. It may be pointed out that there is no uniformity in the methods used by different Farm Management Studies for the calculation of the rental value of owned land. Farm capital includes both fixed capital and borrowed capital. Interest on fixed capital is calculated at 3 per cent of the value of physical assets excluding land. A rate of interest of 10 per cent has been used to estimate interest charges on indebtedness.

The shares of the three factors of production, viz land, labour and capital are calculated as percentages of the net agricultural output. The share of labour in the net output is as high as 64 per cent. This has been followed by the share of land which accounts for 25 per cent and about 15 per cent constitutes the share of capital.

The overwhelming share of labour in the total net output is the inevitable consequence of the nature of the farm economy with surplus labour and family based non-wage cultivation. The contribution of family labour is around 65 per cent of the total labour income.

As the above analysis provides only an aggregative picture, the relative importance of the different factors can be appreciated more realistically if we study in detail the variations in them among the operational units of different size groups. Thus, it may be seen that in the smallest size group the share of labour is over three-fourths, whereas it is a little above one-half in the highest size group. The share of rent is almost the same in all the four size groups. The share of capital strikingly varies from 30 per cent in the lowest size group to as low as 7 per cent in the highest size group. Three explanations can be given for this strange feature of our farm structure. Firstly, the small farmers, their financial condition being poor, may have to borrow larger amounts of credit than the bigger cultivators. Secondly, the rate of interest charged from the small farmer may be a little higher than what is charged from the larger cultivators And thirdly, the amount of fixed capital per acre in the smallest size group is high.

A scrutiny of the figures in Table 1 further reveals that the small farmers (hereafter the farmers of 0-5 size groups are considered as small farmers and of the 25 and above size group as large farmers) have a deficit of Rs 147 crores, when the farmers in the largest size groups have a residual of Rs 57 crores. "This is an alarming situation", stated the Farm Management Report, "for, if 50 per cent or more of the farms are carrying the business at loss, the farming community cannot be considered to be comfortably placed in any sense of the term."[7] This contrasting picture can be explained by the large amount of interest paid and the higher cost of cultivation incurred by the small farmer. Further, since the wages paid to hired labour in small farms constitutes a negligible percentage, viz, 4 per cent of the total labour cost, the latter in turn becomes a source of income for the cultivating family.[8]

Inter-State Differences

Differences in the functional distribution of farm income between factors in different States are of considerable importance. Though this is not strictly the purpose of this paper, an attempt is made to shed some light on the inter-State differences in factor shares. Without going into a detailed examination, a few words may be said regarding the variations in the relative importance of the factors-shares in the six States for which the Farm Management Reports are available.

The share of labour in the net output varies from 19 per cent to 80 per cent between regions. When the labour share in net income in Punjab is as low as 49 per cent, in U P it is 80 per cent. which is higher than the national average level. The shares of labour in West Bengal, Madhya Pradesh and Madras are almost the same.

There is no general pattern in regard to the percentage share of rent in the net output among the various States, as will be seen from Table 2. It is the highest in the case of Punjab (55 per cent) which is incidentally higher than the share of labour. This can be explained mainly by the fact that the major portion of the land cultivated in Punjab is irrigated and the crops grown are cash crops, resulting in higher rents. In U P, the share of rent is, curiously enough, 8 per cent which is due to the fact that only land revenue and cess paid by the farmer are estimated.[9]

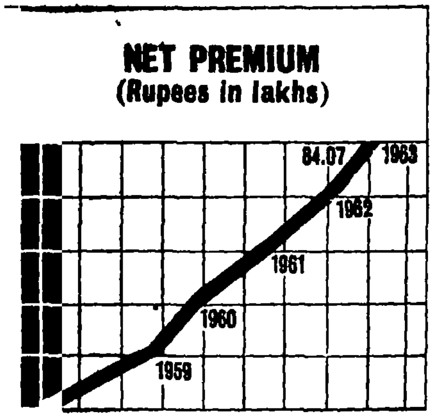
Excepting Madras, the share of interest in all the States is around 13 per cent. In Madras it is 45 per cent. The large volume of family indebtedness and the high rate of interest charged explain this phenomenon of the preponderance of the interest charges.

Our findings may be compared with those of some of earlier attempts[10]

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made to estimate factor shares in Indian agriculture. These studies have attempted to estimate roughly factor shares in Indian agriculture from the data available from various sources. The differences in the estimates are specifically due to (1) methodological differences, (2) conceptial differences (3) differences in sources of the data and (4) in the years of the estimation

A comparison of our estimates with those of others is made in Table 3.

Dey and Maitra have evaluated the output of major crops on the basis of data published by the Directorate of of Economics and Statistics, Ministry of Food and Agriculture. Judged by the National Income Estimate figures their data on total output appear to be over-estimates. This may partly be due to the method of revaluation—using wholesale prices and "adjusting suitably" (how. it is not explained).

Whereas data on cost of cultivation are not given in two of the studies because of "paucity of data", Dey and Maitra have made a bold attempt to estimate the cost of cultivation from "various sources" such as National Sample Surveys. Agricultural Labour

Table 1: Total Output, Net Output and Factor Shares in Indian Agriculture

(1) Simple Aggregation Method

Size-group (acres)	Total area (acres in crores)	Total Output (Rs crores)	Cost of Cultivation (Rs crores)	Net Output (Rs crores)	Labour (Rs crores)	Labour Share in Net Output (per cent)	Rent (Rs crores)	Share of Rent in Net Output (per cent)	Interest (Rs crores)	Share of Interest in Net Output (per cent)	Residual (Rs crores)
0—5	5.61	1180.58	703.85	476.73	364.03	76.36	117.16	28.58	142.86	29.26	—147.32
5—10	6.63	1077.95	529.98	547.97	329.43	60.12	122.78	22.41	87.04	15.88	+ 8.72
10—25	9.52	1094.11	467.70	626.41	415.94	66.40	160.89	25.68	63.19	10.19	— 13.61
25 and above	10.12	894.87	316.80	578.07	324.99	56.22	153.93	26.62	42.11	7.28	+ 57.04
All Groups	31.88	4247.51	2018.33	2229.18	1434.39	64.34	554.76	24.88	335.20	15.04	— 95.17

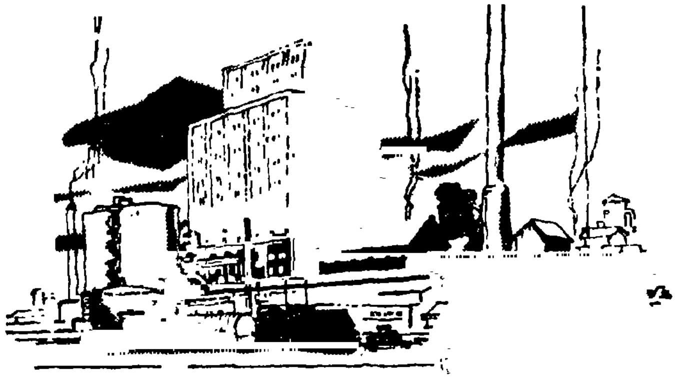
(2) Weighted Approximation Method

Size-group (acres)	Total area (acres in crores)	Total Output (Rs crores)	Cost of Cultivation (Rs crores)	Net Output (Rs crores)	Labour (Rs crores)	Labour Share in Net Output (per cent)	Rent (Rs crores)	Share of Rent in Net Output (per cent)	Interest (Rs crores)	Share of Interest in Net Output (per cent)	Residual (Rs crores)
0—5	5.61	1182.98	704.78	478.20	364.82	76.29	117.53	24.58	143.12	29.93	—147.27
5—10	6.63	1080.42	531.92	548.50	329.84	60.13	122.66	22.36	87.22	15.90	+ 8.78
10—25	9.52	1094.80	468.38	626.42	415.93	66.34	161.09	25.69	63.34	10.11	— 13.94
25 and above	10.12	886.82	315.74	571.08	324.14	56.76	153.72	26.92	42.07	7.36	+ 51.15
All Groups	31.88	4245.02	2020.82	2224.20	1434.73	64.50%	555.00	24.95	335.75	15.00	—101.28

Table 2: Total Output and Factor Shares in Different States.

States	Area (Acres in crores)	Output (Rs crores)	Cost of Cultivation (Rs crores)	Net Output (Rs crores)	Labour (Rs crores)	Rent (Rs crores)	Interest (Rs crores)	Residual
Bombay	6.69	439.05	210.82	228.23 (100.00)	155.29 (68)	38.57 (17)	32.77 (14)	+ 1.60
Madras	1.43	183.94	100.97	82.98 (100.00)	43.22 (52)	38.88 (45)	38.17 (45)	—37.29
Madhya Pradesh	3.84	342.45	86.66	255.79 (100.00)	151.40 (59)	95.94 (38)	15.22 (6)	— 6.77
Punjab	1.78	292.20	125.60	166.59 (100.00)	81.83 (49)	92.32 (55)	17.25 (10)	—24.81
Uttar Pradesh	4.17	1027.34	631.98	395.36 (100.00)	315.47 (80)	34.18 (8)	51.22 (13)	— 5.51
West Bengal	1.29	273.76	59.84	213.93 (100.00)	116.86 (55)	34.30 (16)	27.10 (13)	+35.67
All India	31.88	4247.51	2018.33	2229.18 (100.00)	1434.39 (64)	554.76 (25)	335.20 (15.04)	—95.17

Notes: Figures in brackets are percentages.





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Enquiry Reports and All-India Rural Credit Survey (strangely, using Farm Management data *only* for estimating depreciation). The scant attention paid to ensure comparability of the data culled from these diverse sources has resulted in the unduly low estimate of cost of cultivation. This has led to the rest of their estimates being exaggerated.

It is difficult to ascertain why Surendra Patel's estimate (based on the First Agricultural Labour Enquiry Report) is considerably over-valued, when the other two authors who have relied upon the two Agricultural Labour Enquiry Reports have arrived at a considerably lower estimate. The share of agricultural wages is (Table 3) wages paid to the hired labourers in cash and kind.

Patel has assumed rent to be 15 per cent of the total agricultural output. this has been unquestioningly accepted by other authors. There is no indication as to whether this includes rent on owned land or exclusively rent on leased land. As mentioned earlier, since we have estimated rent as the total of imputed value of rent on owned land and the actual rent paid, the share of rent thus works out to be about 25 per cent.

In all the studies interest on borrowed capital is calculated using some of the *ad hoc* estimates available in the All India Rural Credit Survey Report. Shah and Rajagopalan and Dey and Maitra have used 15 per cent as the rate of interest in their estimates. In this study a rate of interest of 10 per cent has been used to estimate the interest charges on the indebtedness figures available in Farm Management Studies. As said earlier, interest charges here include interest on both fixed and borrowed capital.

The foregoing analysis presents some broad indications of the proportion in which the factors of production share the total agricultural output in various size groups of operational units in the economy as a whole. The differences observed between our estimates and similar estimates made by others is a clear indication of the lack of uniformity and consistency in concepts and methods. This again is a pointer to the vast scope for refinement and research.

Table 3: A Comparison of Various Estimates of Factor Shares

(Rs crores)

Items	S J Patel's Estimate (1950-51)	Dey and Maitra's Estimate (1955-56)	Shah and Rajagopal's Estimate (Average for 1954-55 to 1956-57)	Our Estimate (Average for 1954-55 to 1956-57)
Gross Total Farm Output	4920.00	5333.29		4247.51
Cost of Cultivation	—	1112.24		2018.33
Net Output	4780.00	4768.75*	3970.00**	2229.18
	(100.00)	(100.00)	(100.00)	(100.00)
Agricultural Labour	760.00	469.78	471.48	538.65
	(15.90)	(9.85)	(11.88)	(24.16)
Rent	770.00	1017.43	569.27	554.76
	(16.11)	(21.34)	(14.34)	(24.89)
Interest	650.00	360.00	251.00	335.20†
	(13.60)	(7.55)	(6.32)	(15.04)

Note: Figures in parenthesis are percentages.

* This includes in addition to crop output, the output of animal husbandry and other ancillary activities.

** Figures include land taxes and cess paid.

† This includes interest on fixed capital.

Notes

1 Studies in the Economics of Farm Management in Madras, Bombay, Madhya Pradesh, West Bengal, Uttar Pradesh and Punjab for 1954-55 to 1956-57; issued by the Directorate of Economics and Statistics, Ministry of Food and Agriculture.

2 Studies in the Economics of Farm Management Uttar Pradesh, 1954-55; p iii.

3 National Sample Survey: Report on Land Holdings (4) Rural Sector, States, 1962.

4 Estimates of National Income 1948-49 to 1960-61, Central Statistical Organization, 1962.

5 Final Report of the National Income, Committee, February, 1954, p 44.

6 Vernon W Ruton and Thomas T Stout: "Regional Differences in factor Shares in American Agriculture. 1925-1957", *Journal of Farm Economics*, February 1960, p 52.

7 Studies in Economics of Farm Management, 1955-56, Madras State. p 146.

8 There is an interesting discussion on the inclusion or exclusion of the imputed value of family labour in farm inputs to judge profitability of the small farms in A K Sen's article, "An Aspect of Indian Agriculture" in *The Economic Weekly*, Annual Number 1962.

9 The Farm Management data do not provide figures of the imputed value of the owned land.

10 B Dey and I Maitra: "Origin and Distribution of Rural Income of India *The Economic Weekly*, June 15, 1963, p 965 970. S A Shah and M Rajagopal: "Distribution of Agricultural Income in India" *The Economic Weekly*, October 12, 1963. p 1735. S J Patel: "Distribution of National Income in India 1950-51," *Indian Economic Review*. Vol III. February 1956.

Scheduled Castes and Tribes

A SPECIAL provision of Rs 100 crores was made in the Third Plan to ensure a more intensified development of Scheduled Castes and Tribes.

Out of an allocation of Rs 53.45 crores for the first three years of the Third Plan it has been estimated that a sum of Rs 50 crores (93 per cent of the allocation) would have been spent. In a number of States, in fact, the expenditure has exceeded the allocation, e g, in Assam, Kerala, Madras, Orissa and Manipur.

The Rs 100-crore programme envisaged for the Third Plan comprises schemes in the Central sector and in the State sector. The Union Government bears entire expenditure on the Central sector schemes, while for the state sector schemes, assistance to the tune of 50 per cent of the expenditure by the States is provided by the Centre. In the case of pre-matric education schemes, the Central assistance is to the extent of 75 per cent.


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Relative Rates of Growth

A Comment

A V Ramsunder

IN his article "Relative Rates of Growth: Agriculture and Industry", (*The Economic Weekly*, November 7, 1964) A Rudra leaves out of consideration the Services sector which consists of trade and commerce and other professions and services. This could be incorporated into the model as output sector X_4 with the following equation:

$$X_{4t} - a_{41} X_{1t} - a_{42} X_{2t} - a_{43} X_{3t} = H_{4t} + G_{4t} + O_{4t}$$

where the notations are as in the article referred to above.

The growth of output of this sector can be considered in three parts:

(a) the part going as industrial input;

(b) that going for domestic consumption; and,

(c) that going for government consumption.

Paucity of data prevents any study in detail of the part going as input into industries but it is quite obvious that the growth rate of this part would be a weighted average of the growth rates of the three goods producing sectors. Government services obviously will grow in an exogenous fashion.

In this article an attempt has been made to study the growth of the domestic services sector and its impact on the balanced rates of growth and relative prices.

Symbolically, we shall put

$$X_4 = H_4$$

In the article referred to above, an implicit assumption is made regarding the growth of H_4, by assuming the ratio $A = \frac{H_3}{H_3 + H_4}$ to remain constant, equal to 0.7617, over the period considered. This assumption is open to criticism. It may be argued that the household consumption of services may grow at a rate lower than that of non-food commodities' consumption or at a higher rate, thus affecting the balanced rates of growth and distorting the effect on relative prices. Clearly, if services grow faster than commodity consumption that would only further aggravate the imbalances and accentuate the relative prices. I have, therefore, considered the sensitivity of the model only for two alternative rates of growth of X_4, both lower than that of H_3, by changing A from 0.7617 to 0.80 and 0.85. Table 1 gives the implicit rates of growth of the services sector corresponding to the above three values of the ratio A and to different assumptions about the growth of the agriculture and industrial sector.

Table 2 gives the balanced rates of growth of industries sector corresponding to a 2 per cent and 5 per cent rate of growth of agriculture and also to a 12 per cent growth of industries. It is seen that the imbalance between a 5 per cent rate of growth of agriculture and 12 per cent of industry is still very pronounced, notwithstanding the fact that the growth rate of services has been reduced from 10.7 to 4.6.

A study of Table 3 giving the relative prices also confirms the insensitivity of the model to changes in the growth rate of services.

Having established the insensitivity of the model to a fall in the growth rate of the services sector, an attempt has been made to verify empirically the assumed fall in the rate. Unfortunately the breakdown of non-food sector into commodities and services is not available for all the rounds of the N S S. A limited comparison could only be made between the 3rd 4th, 10th and 13th rounds. Though the evidence is not conclusive, Table 4 shows that with rising per capita expenditure the expenditure on services also shows a rise. Thus, if anything, the ratio 0.7617 might be an *overestimate* rather than an underestimate and if a lower figure is assumed for it one would get even more striking results than what have been presented in Rudra's paper.

Table 1: Growth of the Services Sector

Agriculture	Industry	Services for A Equal to 0.7617	.80	0.85
2	10	9.4	7.0	3.3
5	10	6.9	4.5	1.0
5	12	10.7	8.2	4.6

Table 2: Balanced Rates of Growth

A.	Sector 1 Agriculture	Sector 2 Industries	Coal, Sector 3 electricity & transport
.7617	2.0	6.2	4.4
.80	2.0	6.3	4.6
.85	2.0	6.5	4.8
.7617	5.0	9.8	7.7
.80	5.0	9.9	8.0
.85	5.0	10.0	8.2
.7617	6.9	12.0	9.8
.80	6.8	12.0	10.0
.85	6.7	12.0	10.0

Tablt 3: Price Repercussion of Imbalanced Growth

Rates of growth		Relative prices in 1970-71 for A Equal to .7617		.80		.85	
Agriculture.	Industry.	Food Grain to Non-food	Other Food to Non-food	Food Grains to Non-food	Other Food to Non-food	Food Grains to Non-food	Other Food to Non-food
2%	10%	4.10	20.71	3.77	18.79	3.39	16.87
5%	10%	1.14	2.04	1.03	1.83	0.90	1.60
5%	12%	2.09	3.74	1.94	3.46	1.75	3.13

Table 4: Change in A Over N S S Rounds

Rounds	3rd	4th	10th	13th
Total per capita expenditure	26.5	22.9	18.9	19.7
Per capita non-food expenditure	9.89	9.32	6.69	6.69
Ratio A	.61	.58	.80	.76

Business Notes

Saurashtra Cement

SAURASHTRA Cement and Chemical Industries proposes to clear the arrears of preference dividend from the date of allotment to the year ended June 30, 1960. The Eighth Annual Report of the Company for the year ended June 30 1964 shows that the profits during the year after wiping out past losses have enabled the Company to clear a part of the arrears of preference dividend. Net profit earned during the year was somewhat less at Rs 30.99 lakhs as against Rs 34.66 lakhs in 1962-63, but this is after providing a higher depreciation at Rs 33.35 lakhs (Rs 23.81 lakhs) and taxation at Rs 2.30 lakhs (nil). Again the excess provision of Rs 11.68 lakhs made in previous years for development rebate reserve has been written back to the Profit and Loss Account, and thus the disposable amount has been raised to Rs 42.67 lakhs. This amount has enabled the Directors to set aside Rs 5.74 lakhs as provision for development rebate reserve, and rehabilitation and development reserve, to wipe out the brought forward loss of Rs 22.70 lakhs, to transfer to a special reserve Rs 12.00 lakhs and to carry forward Rs 2.23 lakhs to the next account. The proposed preference dividend will be paid out of this special reserve which is exempt from tax under Secs 84 and 101 of the I Tax Act, 1961.

The working of the Company during the past year was quite regular and normal. Production of clinker was slightly less by 5,500 tonnes at 210,500 tons, but that of cement was higher by 5,400 tonnes at 219,400 tonnes. The Company did excavation of gypsum at Adesar Mines in Kutch and produced 622,750 tonnes, a part of which was sold. The Company produced about 647 tonnes of lime also and sold a good part of it. Total sales realisations aggregated Rs 2.18 crores as against Rs 1.90 crores in the previous year.

The Directors state that the Company is progressing steadily with erection work of the expansion project which will be ready for production in the first quarter of 1965. At that time, the Company will reach a rated capacity of 5 lakh tonnes of cement per annum as against the existing capacity of 2 lakh tonnes.

Investment Trust of India

THE Investment Trust of India (Madras) has made a lower net profit of Rs 59,565 (Rs 81,075) during the year ended September 30, 1964. The Company's dividend income was less at Rs 68,960 compared with Rs 70,315 in the previous year. Dividend for the year is, however, maintained at 6 per cent and will absorb Rs 60,000.

The investments of the Company were maintained almost without any major changes. The Directors observe in their report that the year was a crucial one for the investment market in particular and economy in general. The Budget for 1964-65 provided some relief for the corporate sector as it reduced the severity of certain measures imposed in the previous year. Turnover and profits of industries showed an improvement in terms of money value but increased costs made an impact on profit margins. The condition of the capital market was no better than in the previous year. High taxation and dearer money effected the flow of risk capital to industry. The rise in official Bank Rate confirmed the de facto high interest rate previously prevailing. The Directors have expressed the view that in the present monetary and fiscal climate, more than ordinary vigilance and continued awareness over yield and scope for capital appreciation is called for.

Waterfall Estates

NET profits of Waterfall Estates contracted from Rs 15.22 lakhs to Rs 11.41 lakhs for the year ended June 30, 1964, but the Company has repeated the equity dividend at 10 per cent. Tea crops harvested fell from 8.28 lakh kilos to 7.90 lakh kilos, while production of coffee showed an increase from 5.25 lakh kilos to 5.51 lakh kilos. Sale proceeds of tea, however, were higher at Rs 41.32 lakhs (Rs 40.10 lakhs). Coffee crop proceeds were also better off at Rs 17.95 lakhs (Rs 16.66 lakhs). Income from coffee curing works rose from Rs 3.46 lakhs to Rs 5.84 lakhs.

The planting of about 250 acres of tea and the gradual replanting of old coffee in Anamallais form the development programme of the Company, and a new factory will be commissioned early in 1965.

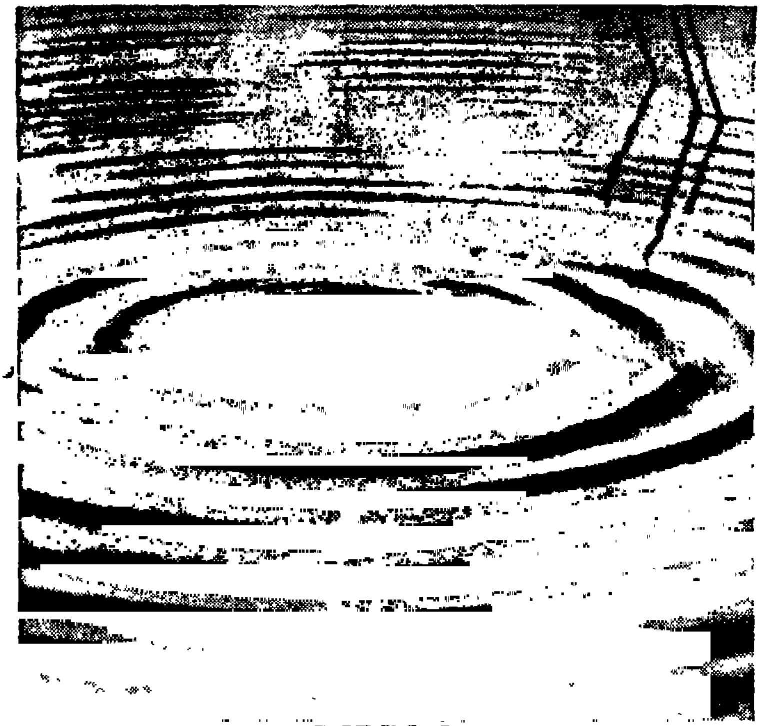
The Chairman, D C Kothari, in his statement circulated with the Annual Report observes that with consistently improving production in other countries, world tea prices were rather depressing. He suggests that Indian production should be planned judiciously to avoid a shortfall or a glut. The targets of the Third and Fourth plans can easily be attained if the industry is given necessary incentives to meet and if the internal finances are stabilised and augmented adequately to meet its replanting and expansion expenses. The tea industry will have to increase the acreage at the rate of 24,000 acres a year, but the high cost of opening out new areas inhibited expansion. In this context, the present financial assistance offered by the Tea Board at Rs 4000 per acre may bring further acreage under tea cultivation, but is not adequate and does not cover the cost of buildings, labour quarters and other welfare amenities which form a considerable portion of the block expenditure of a plantation company, says Kothari. He welcomes the formation of the Chari Committee and hopes that this Committee will look into all problems of tea industry and recommend suitable measures. As rehabilitation expense for rubber is exempted from tax by the Madras State Government, he pleads that tea and coffee industries also should be afforded the same privileges.

Coffee prospects are expected to be good, but Indian coffee's long-term outlook will depend on the maintenance of quality and promotional methods.

Blue Mountains

NET profit of Blue Mountain Estates and Industries has suffered a sharp setback from Rs 5.88 lakhs to Rs 1.59 lakhs during the year ended June 30, 1964. Sale proceeds of tea and coffee were lower during the year at Rs 43.03 lakhs (Rs 45.53 lakhs) and Rs 20.38 lakhs (Rs 26.10 lakhs) respectively. Proceeds of fertilizers, however, were more than double at Rs 76.35 lakhs (Rs 37.70 lakhs). The equity dividend is reduced from 10 per cent to 8 per cent.

The reasons for low profits are smaller crop and lower prices in tea and smaller crop in coffee. Lower crops were ascribed to climatic conditions. Tea crop fell by 1.67 lakh kgs from the previous year's production and coffee crop harvested was less by 17- tonnes.



RIPPLE

The LIC is at the centre of a ripple whose widening impact is felt throughout the land.

On the one hand, LIC's operations are far reaching. They cover about 729 centres, a number which is steadily increasing. So is the number of new individuals in India being covered with Life Insurance.

On the other hand, the LIC invests nearly 3 million rupees a day in industry, agriculture, railways, transport, electricity and many other projects. The radiating effect of these investments creates more jobs, more incomes, more food—in fact, a higher standard of living—for everybody.

LIC—YOUR COMPANION IN PROGRESS

The development programme of the Company is going ahead as per schedule and a new factory at Colacumbie Estate in Coonoor will go into production early in 1965. The prospects for 1964-65 are stated to be better.

The Company's production and marketing of superphosphate during the year was satisfactory. The turnover in respect of mixtures improved considerably and about 5,800 tonnes of various NPK mixtures were marketed.

Rationalisation of excise duty on tea is overdue, states the Chairman, D C Kothari in his statement circulated with the Annual Report. Nilgiris is the only district in South India which has to pay a penalty on its quality teas as it falls in Zone IV notwithstanding the fact that a considerable portion of its production in the district is common tea, he points out. He further suggests that a drawback of excise duty should be allowed on exported teas to encourage exports. Kothari feels that the prospects for coffee producers are brighter now than for some years past as the world market is facing a shortage and world prices have recovered appreciably.

The cumulative weight of the fiscal burdens deprives the plantation industry of its means to attract fresh capital to renovate and modernise productive assets and to develop and expand in keeping with the needs of the country, states Kothari. In his opinion there is also a strong case for a review of the levies of excise duty on tea and coffee, and for revising them downwards suitably.

Straw Products

IN an interim report for 7 months ending July 1964, the Managing Agents of Straw Products state that production during the period rose from 16,524 tonnes to 17,579 tonnes, and sales realisations aggregated Rs 2.60 crores as against Rs 2.18 crores in the corresponding previous period. Paper produced by the J K Paper Mills, one of the divisions of the Company, is claimed to be one of the best in the country.

As per the opinion of the experts in the Technical Directorate, Government of India, as well as Development Council, the expansion scheme of the J K Paper Mills has been revised from 18,000 tonnes to 48,000 tonnes per year.

In the Bhopal factory, the other division of the Company, production during the period has been less by 780 tonnes at 6,996 tonnes, while sales were also lower by 132 tonnes at 6,648 tonnes. The fall in sales is attributed to the high incidence of excise duty resulting in lower offtake of straw boards and also to the concessions enjoyed by smaller units who are able to undersell. The turnover however has shown an increase from Rs 85 lakhs to Rs 87 lakhs and this has resulted from the sale of higher priced products.

The Company has a scheme to expand the Bhopal factory's production capacity by a further 3,600 tonnes and steps are under way.

Indian Plastics

INDIAN PLASTICS has produced better working results during the year ended March 31, 1964. Sales improved to Rs 117.34 lakhs from Rs 102.69 lakhs in the previous year. Net profit subject to tax has almost doubled at Rs 4.87 lakhs (Rs 2.59 lakhs). The Company has been able to pay off the previous year's arrears of preference dividend and also the preference dividend for 1963-64.

The Radio section has contributed most to the improvement. Production in the chemical section could not be increased for want of import licences. The working of the plastic section was affected by a rise in the prices of raw materials and keen competition in finished goods.

The Directors are hopeful of better working results during the current year and have therefore decided to pay an interim dividend on Ordinary shares at 40 p per share of Rs 10, subject to tax.

Money Market

Thursday, Morning

THE short-term money market was placid during the week. Demand was steady and supplies were adequate. The inter-bank call money rate continued at 5.5 per cent though on Monday last and on occasions on other days funds were changing hands at 5 per cent. The Calcutta market was inclined to rule slightly easier, the call rate moving down in stages from 5 per cent to 4 per cent. The Madras market reported quiet conditions and the rate was quoted at 4.25 per cent to 4.5 per cent.

How keen demand for funds was during the first week of December has been reflected in the latest scheduled bank return for the week ended December 4. Bank credit spurted up during the week by Rs 44.61 crores. A rise of Rs 45.35 crores in Bank credit occurred last time during the week ended January 3, 1964. During the week ended December 6, 1963, the corresponding period of last year, there was a rise of Rs 33.18 crores accompanied by a fall in aggregate deposits by Rs 20.90 crores. This year, the contraction in aggregate deposits during the week under reference amounted to Rs 25.64 crores. As a result of a sudden spurt in bank credit and fall in deposits, scheduled banks had to step up their borrowings from the Reserve Bank by Rs 14.06 crores (Rs 13.80 crores) and suffer a reduction of Rs 10.67 crores (plus Rs 9.03 crores) in cash in hand and balances with the Reserve Bank. Besides investments had to be given up to the tune of Rs 36.72 crores (Rs 29.51 crores).

During the same week, ended December 4, 1964, expansion in active notes was about Rs 50.51 crores and this compares with a rise of Rs 48.48 crores during the week ended December 6, 1963. The latest Reserve Bank return for the week ended December 11, 1964 shows a further rise in notes in circulation by Rs 37.56 crores. Last year also there was a rise of Rs 22.70 crores during the week ended December 13.

Additional note issue during the week ended December 11 amounted to Rs 28.81 crores, the balance of Rs 8.76 crores needed for circulation being met by the Banking Department. Demand for rupee coins was higher during the week by Rs 1.20 crores and altogether the outflow of notes and coins aggregated Rs 30.00 crores. This has resulted in a further addition to holdings of Rupee securities by an equal amount.

In contrast with a rise of Rs 26.16 crores in the previous week, Central Government's deposits during the week fell by Rs 33.25 crores; but State Government's deposits moved up by Rs 12.33 crores. Loans to Governments came down by Rs 12.80 crores.

Scheduled banks' deposits improved by Rs 4.32 crores, but their borrowings went up by Rs 5.04 crores. Foreign securities have remained unchanged at Rs 85.46 crores while balances held abroad have declined by Rs 55 lakhs bringing down total foreign assets to Rs 96.30 crores.

Treasury Bill tenders on December 15 were uninspiring; the amount offered was only Rs 2 crores and the rate of discount continued at 2.500 per cent. Sales of intermediates between December 9 and 12 fetched only Rs 1.50 crores.

With the approach of the year-end and the progress of the busy season, the money market is likely to rule steady. This view is supported by the pattern that prevailed at this time last year.

CURRENT STATISTICS

Foreign Trade of India

PRINCIPAL IMPORTS

(Rs lakhs)

	September		April-September	
	1964	1963	1964	1963
Food	*1031.40*	*1641.68*	*6006.36*	*9275.69*
Live animals, chiefly for food	0.06	0.02	0.30	0.60
Meet and meat preparations	0.02	0.08	0.18	0.49
Dairy products, eggs and honey	19.35	162.12	562.05	516.77
Fish and fish preparations	20.33	53.33	105.20	250.46
Cereals and cereal preparations	819.66	1320.82	4216.02	7743.07
Coffee, tea, cocoa, and spices etc	3.48	1.95	38.99	51.74
Feeding stuff for animals	1.39	0.53	6.68	4.07
Miscellaneous food preparations	1.37	0.08	5.23	2.93
Beverages and Tobacco	*1.57*	*2.51*	*16.60*	*16.05*
Beverages	1.54	2.48	13.60	10.79
Tobacco and tobacco manufactures	0.03	0.03	3.00	5.26
Crude Materials, Inedible, Except Fuels	*1296.59*	*1020.39*	*5563.52*	*6424.62*
Hides, skins and fur skins, undressed	24.69	20.89	161.29	162.47
Oilseeds, oilnuts and kernels	48.63	93.52	344.86	443.55
Crude rubber including synthetic and reclaimed	53.38	75.47	364.79	557.42
Wood, lumber and cork	12.29	13.42	103.63	125.79
Pulp and waste paper	45.47	34.25	350.88	496.02
Textile fibres and waste	905.70	584.44	3287.48	3787.42
Crude fertilisers and minerals excluding coal, petroleum and precious stones	178.86	151.54	721.50	650.57
Metalliferous ores & metal scrap	9.75	30.58	93.40	106.11
Animal and vegetable crude materials, inedible n e s	17.82	16.27	135.69	95.22
Mineral fuels and lubricants and related materials	*615.53*	*478.15*	*4279.97*	*6016.53*
Animal and vegetable oils and fats	*61.05*	*27.95*	*303.18*	*292.90*
Chemicals	*642.12*	*1140.07*	*4261.92*	*5285.21*
Chemical elements & compounds	265.52	244.43	1754.15	1756.67
Inorganic chemicals	96.33	99.61	641.60	715.88
Organic chemicals	169.19	144.82	1112.56	1040.79
Mineral tar and crude chemicals from coal, petroleum and natural gas	—	—	2.07	1.11
Dyeing, tanning and colouring materials	69.89	55.15	479.64	465.09
Medicinal and pharmaceutical products	73.52	63.48	412.35	457.64
Essential oils and perfume materials; toilet, polishing and cleansing preparations	4.80	6.35	56.31	43.26
Fertilisers, manufactured	131.88	676.69	943.72	1911.35
Explosives and miscellaneous chemical materials and products	103.51	93.97	613.68	650.08
Manufactured goods classified by material	*1774.59*	*1541.73*	*10749.78*	*9853.69*
Leather, leather manufactures, n e s and dressed furs	0.65	0.50	3.91	2.59
Rubber manufactures n e s	7.26	12.45	64.77	127.03
Wood and cork manufactures (excluding furniture)	3.59	5.61	29.55	28.46
Paper and paperboard manufactures	93.26	80.36	534.46	593.49
Textile yarn, fabrics, made-up articles and related products	142.13	90.19	834.24	644.49
Non-metallic mineral manufactures nes	66.93	39.45	430.91	258.87
Silver, platinum, gems and jewellery	14.02	25.08	98.43	88.75
Base metals	1313.47	1103.81	7956.68	7201.20
Iron and Steel	858.44	721.97	5064.66	4540.91
Copper	161.35	166.36	1272.48	1222.35
Nickel	26.46	26.02	70.53	78.91
Aluminium	58.67	29.78	376.90	343.08
Lead	28.30	43.85	224.21	175.93
Zinc	110.99	72.69	518.49	470.26
Tin	53.18	35.98	357.71	314.33
Manufacture of metals	133.27	184.28	796.84	908.80
Machinery and transport equipment	*3267.94*	*3418.29*	*22843.69*	*22052.42*
Machinery other than electric	2186.92	2380.57	15174.67	13859.72
Power generating	262.67	261.75	2363.88	2075.74
Agricultural	29.57	7.90	86.00	77.30
Tractors	34.82	32.84	277.66	196.29
Office	10.71	14.18	187.40	98.87
Metal working	389.92	544.16	3054.20	2466.91
Mining construction and other industrial	1459.23	1519.75	9205.52	8944.61

	September 1964	September 1963	April-September 1964	April-September 1963
Electric machinery, apparatus and appliances	541.61	536.54	4425.38	4278.94
Transport equipment	539.40	501.17	3243.65	3913.76
Railway vehicles	183.58	156.92	805.99	1539.66
Road motor vehicles	294.88	264.18	1718.40	1408.75
Aircraft	53.41	72.65	422.04	811.62
Ships and boats	3.07	3.38	274.63	138.37
Miscellaneous manufactured articles	*160.52*	*225.17*	*1026.26*	*2187.27*
Prefabricated buildings; sanitary, plumbing, heating and lighting, fixtures and fittings	1.69	3.25	17.57	31.61
Clothing	0.54	0.09	1.98	1.83
Professional, scientific and controlling instruments; photographic and optical goods, watches and clocks	115.09	126.89	700.43	620.95
Miscellaneous transactions and commodities n e s	*31.77*	*39.46*	*257.11*	*344.55*
GRAND TOTAL	*8905.78*	*9535.41*	*55326.18*	*61748.95*

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

Group & Sub-Group	Week Ending 21-11-64	14-11-64	24-10-64	23-11-64
Food Articles	*166.8*	*166.2*	*164.9*	*134.9*
Cereals	148.4	146.9	145.6	119.3
Pulses	179.0	177.9	176.2	116.6
Fruits & Vegetables	205.6	201.0	183.1	136.9
Milk & Ghee	146.6	146.5	146.8	121.3
Edible Oils	208.6	205.3	199.2	148.3
Fish, Eggs & Meat	178.7	179.4	162.6	150.8
Sugar & Gur	192.3	196.8	201.9	173.0
Others	176.3	177.8	185.3	177.5
Liquor & Tobacco	*135.8*	*134.7*	*132.6*	*118.6*
Tobacco	133.8	132.7	130.4	115.6
Fuel, Power, Light & Lubricants:	*144.8*	*144.8*	*144.8*	*139.5*
Industrial Raw Materials	*166.0*	*165.4*	*163.3*	*136.1*
Fibres	144.4	146.3	145.4	131.1
Oil Seeds	207.0	203.5	198.8	147.0
Minerals	103.2	103.2	103.7	91.6
Others	134.0	134.1	134.8	128.0
Manufactures	*139.1*	*139.0*	*138.0*	*130.9*
Intermediate Products	156.1	155.4	152.2	138.5
Finished Products	*136.3*	*136.3*	*135.6*	*129.6*
Textiles	135.1	135.3	133.7	127.5
Cotton	138.7	138.7	136.7	135.8
Jute	124.6	125.4	123.9	99.1
Woollen	169.2	169.2	169.2	160.2
Silk & Rayon	131.8	131.8	132.0	138.0
Metal Products	169.5	169.5	169.5	163.7
Chemicals	120.7	120.8	120.8	117.5
Oil Cakes	201.6	199.9	205.9	166.8
Machinery & Transport Equipment	127.2	127.2	127.2	124.5
Others	127.8	127.7	127.8	128.1
All Commodities	*157.3*	*156.9*	*155.6*	*133.7*

BANKING RETURNS

(Rs Crores)

Reserve Bank	Dec 11	Dec 4	Nov 13	Dec 13, '63
1 Note circulation	2510.53	2472.97	2460.73	2236.23
2 Rupee coins	100.88	102.08	203.21	116.42
3 Deposits				
(a) Central Govt	53.05	86.30	51.72	49.93
(b) Other Govts	17.82	5.49	7.11	14.88
(c) Banks	95.52	91.99	99.07	84.71
(d) Others	143.28	144.57	145.45	165.27
4 Foreign securities	85.46	85.46	85.46	97.46
5 Balance abroad	10.84	11.39	10.14	8.22
6 Rupee securities	2216.13	2186.13	2181.14	2019.31
7 Investments	142.45	117.51	124.25	197.72
8 Loans and Advances to Govts	59.72	72.52	65.98	66.57
9 Other loans and advances	187.44	181.00	169.51	150.46

Scheduled Banks	Dec 4	Nov 27	Nov 6	Dec 6, '63
1 Aggregate deposits (net)	2508.90	2534.54	2517.64	2215.99
Demand (net)	1182.66	1198.75	1193.91	970.88
Time (net)	1326.25	1335.79	1323.73	1245.11
2 Cash in hand	65.69	65.66	73.40	56.12
3 Balance with Reserve Bank	92.09	93.76	99.86	81.52
4 (2)+(3) as % of (1)	6.29	6.29	6.88	6.21
5 Borrowings from Reserve Bank	15.37	1.31	5.05	14.51
(a) Against usance bills and/or promissory notes	6.10	0.15	0.15	4.92
(b) Others	9.27	1.17	4.90	9.59
6 Advances	1484.65	1448.37	1455.62	1277.96
(a) State Bank	339.61	322.03	322.89	250.49
(b) Others	1145.04	1126.34	1132.73	1027.47
7 Bills discounted				
(a) Inland	199.16	190.90	187.45	183.90
(b) Foreign	74.71	74.71	77.32	58.02
(c) Total	273.87	265.53	264.77	241.92
(i) State Bank	23.12	23.45	21.83	19.50
(ii) Others	250.75	242.08	242.94	222.42
8 (6)+(7) as % of (1)	70.09	67.62	68.33	68.59
9 Investment in Govt Securities	802.54	839.26	812.94	737.47
10 (9) as % of (1)	31.99	33.11	32.29	33.28

BOMBAY MONEY RATES

(per cent)

	Dec 4	Nov 27	Nov 6	Dec 6, '63
Call money from Banks	3.95	1.00	4.31	4.22
Deposits				
14 days	—	—	—	—
91 days	4.00	4.00	4.00	—
Six months	4.50	4.50	4.50	3.75

ATUL

- DYES
- CHEMICALS
- PHARMACEUTICALS

THE ATUL PRODUCTS LTD.
Atul, via. Bulsar,
Western Railway.

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From the Chair

The Scindia Steam Navigation Company Ltd

Statement of the Chairman, Shri Dharamsey M Khatau

THE following is the summary of the Statement of Shri Dharamsey M Khatau, Chairman, The Scindia Steam Navigation Company Ltd, made at the 45th Annual General Meeting of the Shareholders on Wednesday, the 16th December 1964, at Scindia House, Ballard Estate, Bombay:

Shri Dharamsey M Khatau, Chairman of the Scindia Steam Navigation Co., Ltd., referred feelingly to the sad death of our beloved Prime Minister Shri Jawaharlal Nehru who gave national shipping its place of pride in the transport economy. In welcoming the new Prime Minister Shri Lal Bahadur Shastri, he referred to the consolidation and expansion of the shipping industry achieved due to bold and energetic policy pursued by him during his tenure as Transport Minister. While referring to the recent freight increases which were effective only for a period of the year, he stated that these increases were off set by continued increase in costs. He was critical of the entry of other Indian Lines into the Shipping services which were satisfactorily maintained by Indian Lines, Members of the Shipping Conferences, inasmuch as such entry would render a working of the Lines uneconomic. He made special reference to strikes in ports in India and abroad, the berthing and dry-dock delays and the poor despatch, which all went to add to the cargo handling costs. He urged the Government to take active interest in requiring Port Trusts to maintain efficiency at ports at the highest level possible and to make labour more productive through the introduction of incentive schemes and the adoption of other similar methods.

Regarding the rates of freight on the Coast, he pressed for adequate increase in the background of a detailed reference to the 1962 recommendation of Shri R G Abbhi's Commission, which was not fully accepted by the Government and which itself was not considered adequate by the industry. He referred to the costs that have since risen and maintained that the view that the return on capital would be adequate if "some uneconomic ships" were eliminated was not practical. His reason was that apart from the fact that all units of any industry are not economic in operation at all points of time, the Coastal industry suffered from a particular handicap in that though it was keen on eliminating uneconomic units, foreign exchange was not available for purchase of replacement vessels.

He insisted that the Coastal vessels should be given adequate quantities of coal, salt and other cargoes which must be continuously assured to enable Coastal shipping to work economically and to develop in a planned manner and at the same time to provide for efficient services.

He made particular reference to the urgent need for making continuous and expeditious use of the machinery of the Maritime Freight Commission and observed that this Commission should be charged with the responsibility of making periodical assessment of costs of operation and therefore permitting the shipping companies appropriate increases from time to time. He requested the Government to take required decision early.

Additions to the Fleet

Shri Khatau made reference to the addition of eight vessels to the fleet since the last Annual Meeting. Of these, six are for employment on the Coast of India, one for the West Coast and one for Overseas trade. A further order for three 15,000 ton vessels was placed with Messrs. Lithgows Ltd., Glasgow. There were also on order with the Hindustan Shipyard three vessels and one 3,800 d w t, motor vessel was on order abroad.

Regarding War Risk Insurance, Shri Khatau referred to his observations back in 1962. The Indian National Steamship Owners' Association, he had said, have been requesting the Government of India since September 1959 to evolve a suitable scheme and it was urged that immediate measures be taken to formulate the scheme so as to ensure adequate insurance protection to Indian vessels against war risks. Although the Association were advised that the Government were actively considering the matter, nothing had so far happened. He, therefore, reiterated his appeal to the Government to give this question priority consideration.

Regarding Scindia Workship Ltd., he referred to the conclusion of the contract with Messrs. Siemens Engineering & Manufacturing Co. of India Ltd., Bombay, for manufacture of cargo winches and to the negotiations with Messrs. Mac-Gregor-Comarin, Paris, for manufacture of Ship's Hatch Covers.

Regarding Konkan services, Shri Khatau observed that the new Committee which was expected to be formed by the Government and to submit its report to the Government had not yet been formed. As a result, no progress had been made in determining the amount payable to the Company for the year 1962-63 and onwards. This was, he said, in the background of the original claim of the Bombay Steam Navigation Co. (1953) Ltd. against the Maharashtra and the Central Governments for the two years 1961-62 and 1962-63 amounting to Rs 25,68,253. He requested the Government to hold early a Tripartite Conference between the Government of India, the Government of Maharashtra and the Company. In his concluding remarks he said unless freight rates were designed to cover costs of operation, shipping companies cannot work on an economic basis.

Regarding future prospects, his observation was that the Company's year under review was good and, as far as he could see, the Company expected to maintain the improvement.

Shri Khatau welcomed Shri Raghunath Singh, the newly appointed Chairman of the National Shipping Board, and referred to his close knowledge of shipping problems. He said he would look forward to further satisfactory progress of the industry. He also expressed his appreciation of the active assistance of Shri Raj Bahadur, Transport Minister, and Dr. Nagendra Singh, Special Secretary, for their efforts in stabilising and expanding Indian Shipping.

He thanked the shippers, patrons and consignees, here and abroad, and appreciated the services of the Management, Officers and Staff and the Company's Agents.